

**Audited Financial Statements of the
Department of the Treasury
Financial Management Service for
Fiscal Year 2000**

OIG-01-049

February 27, 2001



Office of Inspector General

The Department of the Treasury



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

February 27, 2001

MEMORANDUM FOR RICHARD L. GREGG, COMMISSIONER
FINANCIAL MANAGEMENT SERVICE

FROM: William H. Pugh *William H. Pugh*
Deputy Assistant Inspector General
for Financial Management and Information
Technology Audits

SUBJECT: Audited Financial Statements of the
Department of the Treasury Financial
Management Service for Fiscal Year 2000

I am pleased to transmit the audited financial statements of the Department of the Treasury Financial Management Service (FMS) for Fiscal Year (FY) 2000. The FMS' financial statements were audited by KPMG LLP, an independent public accountant (IPA). The IPA issued the following reports which are included in the attachment:

- Independent Auditors' Report on Consolidated Financial Statements;
- Independent Auditors' Report on Internal Control over Financial Reporting; and
- Independent Auditors' Report on Compliance with Laws and Regulations.

The IPA rendered an unqualified opinion on the FMS' FY 2000 financial statements. The Independent Auditors' Report on Internal Control over Financial Reporting contained no reportable conditions.

The Independent Auditors' Report on Compliance with Laws and Regulations, exclusive of the Federal Financial Management Improvement Act (FFMIA) of 1996, contained no instances of noncompliance. However, under FFMIA, the report disclosed one instance in which FMS' financial management systems did not substantially comply with applicable requirements.

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The IPA issued a management letter dated January 19, 2001, discussing various issues that were identified during the audit which were not required to be included in the audit reports.

My staff's review of the IPA's working papers determined that the work was performed in accordance with generally accepted government auditing standards. Should you have any questions, please contact me at (202) 927-5430, or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits at (202) 927-5789.

Attachment

Department of the Treasury
Financial Management Service **fms**

Fiscal Year 2000

Financial Statements



Department of the Treasury
FINANCIAL MANAGEMENT SERVICE
Fiscal Year 2000 Financial Statements

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Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

MISSION STATEMENT

The mission of the Financial Management Service (FMS) is to provide central payment services to Federal program agencies, operate the Federal Government's collections and deposit systems, provide Government-wide accounting and reporting services, and manage the collection of delinquent debt.

ORGANIZATIONAL STRUCTURE

During fiscal year (FY) 2000, FMS had a Full Time Equivalent (FTE) ceiling of 1,986. Most FTE positions were located in the Washington, D.C. metropolitan area. The remaining positions were located at five Regional Financial Centers (RFC) located in Austin, Chicago, Kansas City, Philadelphia and San Francisco, and the Birmingham Debt Management Operations Center (BDMOC). FMS proceeded with plans to close the Chicago RFC in November 2000 due to advances in computer technology coupled with the increase in EFT payments and the corresponding decline in check payments issued by FMS.

FMS' executive structure includes the Commissioner, Deputy Commissioner, eight Assistant Commissioners, and Chief Counsel. The Commissioner and Deputy Commissioner provide executive direction for the entire agency and are directly responsible for the Office of the Chief Counsel, Office of Legislative and Public Affairs and Office of Quality and Diversity Management. The Assistant Commissioners are responsible for the following areas: Agency Services, Debt Management Services, Federal Finance, Financial Operations, Government-wide Accounting, Information Resources, Management (CFO), and Regional Operations. FMS' Organizational Chart is presented on page 4 of this report. Descriptions of the Assistant Commissioners areas of responsibility are as follows:

Agency Services

Agency Services (AS) provides accounting and systems operations, financial management, systems consulting and financial education to other Federal agencies on a fee-for-service basis. The services provided are customized to meet the specific needs of the client agency while ensuring compliance with laws, regulations, and standards. In providing these services, AS embraces three interdependent themes: customer satisfaction, entrepreneurial environment, and financial growth. In line with the CFO Council's priorities and objectives, AS helps Federal agencies improve financial accountability and financial management systems, and develop human resources. In FY 2000, AS completed its fourth year as one of the Department of the Treasury's Franchise Fund Activities and its tenth year providing fee-for-service financial services.

Debt Management Services

Debt Management Services (DMS) is responsible for the development and implementation of Government-wide debt management policies and operations to implement the Debt Collection Improvement Act of 1996. DMS provides debt collection operational services to Federal agencies and collects delinquent debts owed to the U.S. Government. DMS also provides support to the states in the collection of child support debt and the collection of state tax debt for states participating in the State Tax Debt Program. It provides these services through a network linking its own debt collection expertise and capabilities with those of FMS' Regional Finance Centers, Federal program agencies' debt collection centers, private collection agencies, and the U.S. Department of Justice.

Federal Finance

Federal Finance (FF) is responsible for effectively controlling cash and credit management activities for the Federal Government and for improving the movement of the Federal Government's daily cash flow of more than \$10 billion. FF is also responsible for establishing standards and ensuring that all Federal agencies and departments utilize effective financial management techniques and mechanisms. In addition, FF provides continuing liaison between Treasury and other federal agencies and departments on all aspects of financial management.

Financial Operations

Financial Operations (FO) provides financial infrastructure for Federal payments, claims, collections, and other transactions. Financial Operations accomplishes its mission by providing financial services, operating financial systems such as Check Payment & Reconciliation System (CP&R), Government On-Line Accounting Link System (GOALS), Treasury Receivable, Accounting and Collection System (TRACS) and overseeing Treasury Managed Accounts and Central Agency functions. FO is responsible for the reconciliation of check payments and for resolution of claims for and against the Government resulting from Treasury checks having been lost, stolen, forged or otherwise improperly negotiated.

Government-wide Accounting

Government-wide Accounting (GWA) is responsible for Federal central accounting and Government-wide reporting, and compilation of the Government-wide consolidated financial statements, which are subject to audit by the General Accounting Office (GAO). This functional area develops accounting policies, sets reporting requirements and creates the mechanisms Federal Program Agencies use to improve the ways in which they manage their fund balances with Treasury.

Information Resources

Information Resources (IR) is responsible for overseeing the effective use of information technology across the major financial business areas of FMS. This responsibility is assigned to the Assistant Commissioner of IR who also serves as FMS' Chief Information Officer (CIO) pursuant to the Clinger-Cohen Act. Other responsibilities include designing systems to carry out Federal financial management and accounting functions; providing computer and telecommunication services to support FMS and Federal Program Agencies nationwide; improving and modernizing the systems and hardware platforms through which the Federal Government makes payments and collections, and financial accounting and reporting. IR also develops and enforces FMS-wide information technology policies and standards; designs, implements, and maintains automated databases; formulates and disseminates quality assurance and quality control standards and procedures for use in measurements and evaluations; and ensures physical and systems security of automated systems.

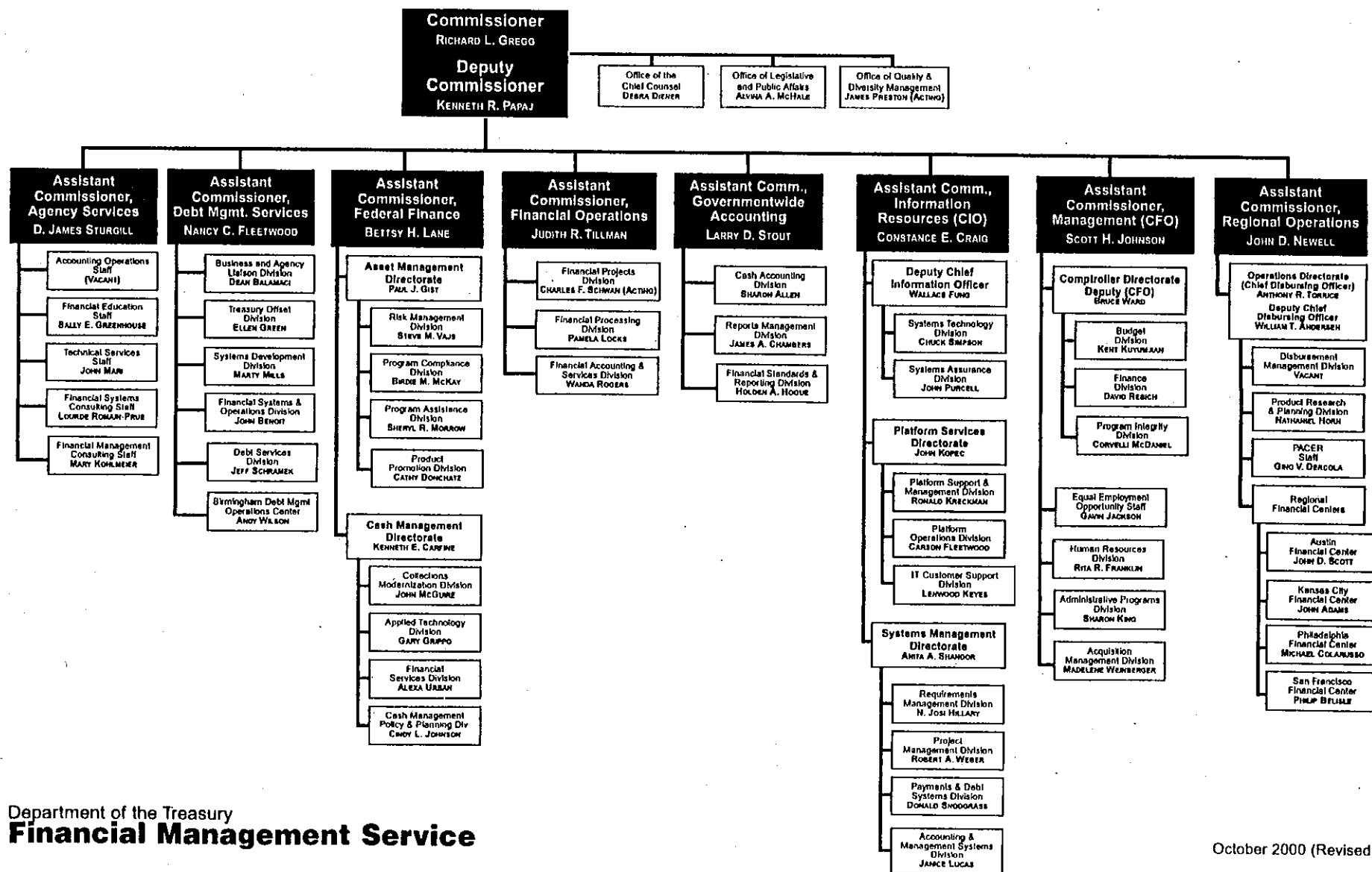
Management (CFO)

Management (M) is responsible for providing FMS-wide administrative support and performing Chief Financial Officer (CFO) functions. The Comptroller and Deputy CFO functions include budget, finance, management controls, planning, and security. The administrative support functions include human resources, procurement, facilities management, and Equal Employment Opportunity.

Regional Operations

Regional Operations (RO) is responsible for managing and operating Federal payment systems and for disbursing approximately 85% of all Federal payments. RO also develops and implements payment policy and procedures for the Federal Government and promotes the use of Electronic Funds Transfer (EFT).

Financial Management Service Organizational Chart



PROGRAM HIGHLIGHTS

FMS is the premiere financial management organization in the Government today. Our broad responsibilities impact the lives of taxpayers in the U. S. and abroad, and our finance and accounting expertise is relied upon by Congress and Federal agencies across the Government.

The following overview of FMS' budget activity structure, products, services and accomplishments discusses in more detail our programmatic responsibilities, the significant impact that FMS has on the Government's financial infrastructure, and how FMS is organized to meet these challenges.

The financial statements in this report represent FMS' financial position and compliance with the CFO Act of 1990. These statements represent FMS' Salaries and Expense Appropriation and Treasury Managed Accounts consolidated into one financial statement. We have performed our mission in an exemplary manner while ensuring that our internal accounting and appropriation of resources adhere to generally accepted accounting principles for Federal government entities.

FMS' mission is segmented into four major budget activities in its annual budget submission based on logical business lines. FMS' budget activities are Payments, Collections, Government-wide Accounting and Reporting, and Debt Management Services. FMS' strategic plan establishes objectives for each budget activity and also establishes objectives that address FMS' responsibility for maintaining the financial systems infrastructure required to carry out its mission. The four major budget activities and FMS' systems infrastructure are described as follows:

Payments - FMS implements payment policy and procedures for the Federal Government, issues and distributes payments, promotes the use of electronic mechanisms in the payment process, and assists Federal agencies in meeting Electronic Funds Transfer requirements. (Treasury Objective: Ensure All Federal Payments Are Accurate And Timely).

Collections - FMS implements cash management and collection policies and procedures for the Federal Government, provides varied collection mechanisms to facilitate collections, promotes the use of electronic mechanisms in the collection process, and assists agencies in converting to electronic mechanisms. (Treasury Objective: Ensure that the Government's Cash Management Minimizes Risk and Provides Immediate Flow and Balance Information).

Government-wide Accounting and Reporting - FMS provides financial accounting and reporting services for the Government-at-large. Additionally, FMS collects financial information from Federal program agencies and publishes Government-wide financial reports (e.g., the Daily Treasury Statement, Monthly Treasury Statement, Treasury Bulletin, Financial Report of the U. S. Government, and U.S. Government Annual Report) that are utilized by the public and private

sectors to monitor the Federal Government's financial status. In this capacity, FMS oversees and accounts for a daily cash flow in excess of \$10 billion. (Treasury Objective: Provide Accurate and Timely Financial Information and Support the Government-Wide Implementation of Accounting Standards).

In March 2000, FMS published the Financial Report of the U. S. Government for FY 1999. The report included the Report of the Comptroller General of the United States on the statements covering the executive branch, as well as parts of the legislative and judicial branches of the U. S. Government. The report is a practical management tool for policy makers and a source of useful information for the public.

Debt Management Services – FMS provides debt management services to client agencies using two primary collection programs. Through the Treasury Offset Program (TOP), Federal payments are reduced through “offset” to satisfy overdue Federal debts. Current payment types subject to offset include Office of Personnel Management (OPM) retirement, Internal Revenue Service (IRS) tax refunds, vendor payments, and some Federal salary payments. In addition to the many types of non-tax Federal debt collected through the TOP system, delinquent child support debt and delinquent state income tax debt are collected via offset as well. Through the Federal Payment Levy Program, Federal payments are reduced through “levy” to satisfy overdue Federal tax debt. Agencies may also refer their delinquent debts to the Cross-Servicing Program, which applies a variety of collection tools, including Treasury demand letters, telephone calls to debtors, credit bureau reporting, and referral of debts to private collection agencies and the Department of Justice. (Treasury Objective: Improve Federal Non-Tax Debt Collection).

Systems Infrastructure - Because of the central role that FMS plays in the Government's financial infrastructure, FMS' systems must provide complete, secure, and accurate financial information with a high degree of systems integrity. In FY 2000, FMS made considerable progress in strengthening its general computer and applications controls by converting the payment processing systems to operate under a new operating system. In addition, considerable improvements were made in the FMS-wide security program, including developing and issuing new information technology security policies, performing internal and external risk assessments, and providing security awareness training to FMS employees nationwide. (Treasury Objective: Strengthen the Government's Financial Infrastructure To Improve the Efficiency of Program Management Across Government).

Major Accomplishments

FMS had many major accomplishments during FY 2000.

- issued over 890 million payments, totaling more than \$1.2 trillion dollars, in a timely and accurate manner, for the majority of executive agencies. Exceptions include non-Treasury Disbursing Offices such as the Department of Defense and the U.S. Postal Service.
- streamlined its field organization by closing the Chicago Regional Financial Center effective November 1, 2000. This action involved successfully transferring all payment and claims activity to other Regional Financial Centers while providing training and placement services for 90 employees.
- authorized over 600 financial institutions to offer Electronic Transfer Accounts at almost 7,000 locations, making it possible for recipients of Federal benefits without bank accounts to utilize electronic funds transfer.
- continued to implement Electronic Data Interchange (EDI) payment applications in partnership with 16 Federal agencies. EDI transmits the payment and related information (e.g., invoice details). Approximately 250,000 transactions totaling \$2 billion were processed with 1.8 million addenda records.
- managed the mechanisms that collected revenue of approximately \$2 trillion for the Federal Government.
- collected \$2.5 billion in the first nine months of Calendar Year (CY) 2000 through Tax Refund Offset: \$1.4 billion for child support, \$1.1 billion for Federal non-tax debt, and \$23.1 million for state tax debt.
- collected over \$17 billion through the TOP (not including Tax Refund Offset) representing nearly two-thirds of all collections since the inception of the program. The program collected over \$3.3 billion in September alone.
- accepted over \$134 billion in delinquent debt referrals to the Treasury Offset Program. This included \$52.7 billion for child support, \$26.8 billion for Federal non-tax debt, and \$393.3 million for state tax debt under DCIA, as well as \$54.7 billion in delinquent Federal tax debt under the Tax Levy Program.
- collected \$41 million through the Cross-Servicing Program nearly double the FY 1999 collections, and well over half the \$74.9 million collected since program inception.

- processed 6,371 transactions for charges to the Judgment Fund totaling \$1.9 billion. Monitored the financial solvency of over 300 insurance companies that provide protection of approximately \$225 billion through surety bonds to the Federal Government.
- completed the successful implementation of Wave 1 of the Check Operations Re-Engineering Effort (CORE). This process allows FMS to send files to the Federal Reserve Bank (FRB) Richmond which greatly improves processing of returns of stale dated checks issued to deceased payees to Financial Institutions.
- implemented the Claims Form Printing enhancement to the Check Payment and Reconciliation System. This enhancement improved the process of printing claim documents by eliminating the need for preprinted forms. It presorts the data, and prints the data, the claim packet and check images on the same printer.
- completed implementation of the Office of Trust Fund Management (OTFM) Activity Tracking System (OATS) to enable the storage and retrieval of information for checks issued by OTFM and checks negotiated through the Federal Reserve System to address stipulations associated with ongoing litigation.
- completed enhancements to legacy systems, including the Check Payment & Reconciliation (CP&R) and Treasury Receivable, Accounting and Collection Systems (TRACS). CP&R records and reconciles the worldwide issuance of Government checks and TRACS is the debt recovery and accounting system for the Treasury check claims process.
- completed major enhancements to the Treasury Offset Program (TOP) system, including offset of state tax debt, tax levy and benefit payment offset. The TOP system offsets certain Federal payments that are directed to delinquent debtors.
- completed plans to address compliance with the Government Paperwork Elimination Act (GPEA) which requires Federal agencies to provide the public and any trading partners the option of doing business electronically, if cost beneficial, no later than October 2003.
- developed and implemented an Internet-based electronic commerce application that allows vendors receiving Federal payments to access critical invoice information. This use of the Internet is very successful and was well received by both Federal agencies and vendors.
- completed FY1999 Financial Report of the U.S. Government (FR) on time for the third consecutive year.
- explained virtually all of the accounting differences totaling over \$2 trillion for intra-governmental transactions related to fiduciary balances reported in the FR.

- implemented the Account Grouping Worksheet (AGW) process, which requires 32 key Federal agencies (including the 24 CFO agencies) to provide FMS with comparative data comprised of its audited financial statement and reported Adjusted Trial Balance (ATB) amounts by line item/Standard General Ledger (SGL) accounts.
- completed the successful outsourcing of FMS' administrative accounting functions to provide more efficient and effective accounting operations and financial management.
- established a comprehensive approach for tracking and resolving the deficiencies that resulted from the FY 1999 Financial Statement Audit. Completed the corrective actions for three material weaknesses (Deposit Funds and Suspense Accounts; Reporting Policies and Procedures; Property, Plant, and Equipment) and all Management Letter findings. Also resolved all potential deficiencies that were identified by the auditors during the audit, but did not warrant inclusion in the audit report.

Performance Measures and Results

Program performance measures are used to measure the efficiency and effectiveness of managerial performance and to meet requirements set forth by the Government Performance and Results Act (GPRA) of 1993. FMS performance measures are coded for easy identification, tracking, and reporting purposes: P-Payments, C-Collections, D-Debt Management Services, and G-Government-wide Accounting and Reporting. For example, P1 stands for the first Payments measure.

| PAYMENTS | FY 2000 Goal | FY 2000 Actual |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------|
| P1. Dollar savings by reducing the number of check payments. | \$16.3 million | \$4.2 million |
| P2. Percentage of check payments released on time. | 99.9993% | 100% |
| P3. Percentage of payments customers indicating an overall rating of satisfied or better. | 99% | 99% |
| P4. Percentage of forgery and nonreceipt check claims processed within current FMS standards (14 days or less). | 90% | 98.2% |
| P5. Percentage of transmissions of value (payments) and associated information made electronically. | 75% | 70.14% |
| P6. Number of States in which direct Federal Electronic Benefits Transfer (EBT) will be retrofitted (formerly "Number of states in which direct Federal EBT is available"). | 20 | 49 |
| P7 and P8 are blank. | | |
| P9. Unit cost to FMS for Federal Government payments. | \$0.2000 | N/A |

| PAYMENTS WORKLOAD STATISTICS (In Thousands) | FY 2000 Goal | FY 2000 Actual |
|----------------------------------------------------|---------------------|-----------------------|
| 1. Number of check claims submitted. | 1,250 | 1,429 |
| 2. Number of check payments. | 224,000 | 266,413 |
| 3. Number of electronic payments. | 656,000 | 625,668 |

| COLLECTIONS | FY 2000 Goal | FY 2000 Actual |
|--------------------------------------------------------------------------|---------------------|-----------------------|
| C1. Electronic Collections as a Percentage of Total Collections. | 71% | 75% |
| C2a. Percentage of corporate withholding taxes collected electronically. | 94% | 94% |

| GOVERNMENTWIDE ACCOUNTING | FY 2000 Goal | FY 2000 Actual |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------------|
| G1. Percentage of agency reports for the Consolidated Financial Statement (CFS) processed by FMS within the established standard range. | 97% | Data Available 4/01 |
| G2. Decrease in unresolved prior year recommendations and audit findings that prevent a clean opinion on the audit of the CFS. | 5% | Data Available 4/01 |
| G3. Percentage of days the Daily Treasury Statement is released on time. | 99.6% | 100% |
| G4. Percentage of GOALS I applications redeveloped for migration to the GOALS II platform. | 75% | 75% |

| DEBT MANAGEMENT SERVICES | FY 2000 Goal | FY 2000 Actual |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------|
| D1 to D4 are blank. | | |
| D5. Increase collection of the debts referred to Treasury from FY98 baseline \$1.988 billion by \$8.5 million FY 1999 and \$93.1 million in FY 2000 through the addition of more Federal payment types and agency referrals into the centralized administrative offset program by FY 2000. | \$2.081 billion | \$2.629 billion |
| D6. Increase the amount of delinquent debt that is referred to Treasury for collection, as compared to the amount of delinquent debt that is eligible for referral. Total percentage will reach at least FY 2000. Baseline is FY 1997. | 75% | 83% |

FINANCIAL HIGHLIGHTS

Limitations of the Financial Statements

The responsibility for the accuracy and propriety of the information contained in the principal financial statements and the quality of internal controls rests with management. Management's assertion is that the system of controls within FMS provides reasonable assurance that assets are protected, transactions are properly executed and recorded, policies are followed, and applicable laws and regulations are being complied with. These financial statements were prepared to report the financial position and results of operations of FMS, pursuant to the requirements of the Chief Financial Officers Act of 1990, as amended (Title 31 U.S.C. 3515 (b) and section 331 (e) (1)).

The statements were prepared from the books and records of FMS in accordance with the formats prescribed by the Office of Management and Budget.

These statements are in addition to, and may differ from, the financial reports used to monitor and control budgetary resources that are prepared from the same books and records.

These statements should be read with a realization that they are for a component of the Government, that liabilities not covered by budgetary resources cannot be liquidated without an enactment by Congress of an appropriation to pay for them, and the payment of all liabilities other than for contracts, can be abrogated by the Government.

FMS prepares consolidated financial statements in accordance with Generally Accepted Accounting Principles applicable to Federal government entities (GAAP). The financial statements reflect the financial results of operations including FMS Salaries and Expense (S&E) Appropriation and Treasury Managed Accounts (TMA). FMS' S&E appropriation is used to pay for FMS internal operations. The TMA accounts are administered by FMS on behalf of Federal program agencies or as required by Congress.

Salaries and Expense Appropriation

Total funding for the Salaries and Expense Appropriation accounts is comprised of annual appropriations and reimbursable revenue derived from FMS services provided to Federal agencies and other entities. The contribution of reimbursable revenue to total FMS funding is 20% in FY 2000. FMS also includes its permanent indefinite account balances in the consolidated financial statements. The permanent indefinite funds are not subject to budgetary ceilings established by Congress. Therefore, funds payable at year-end are not subject to funding restrictions. Permanent indefinite authority is not stated as a specific amount and is available for an indefinite period of time.

Beginning in FY 1998, Public Law 105-61 authorized funds to FMS to reimburse Federal Reserve Banks for performing fiscal agent and depository services. This funding provides FMS with a means to manage and review financial information and certify payments to Federal Reserve Banks for performing fiscal agent services. FMS is responsible for monitoring reimbursable expenses incurred by the Federal Reserve Banks and for authorizing disbursement of funds in payment of those expenses. FMS made payments to Federal Reserve Banks for services in the amount of \$83.2 million in FY2000.

Treasury Managed Accounts

FMS' Treasury Managed Accounts consolidates 97 accounts with total assets of \$1.8 billion and revenues and financing sources of \$8.4 billion. The Treasury Managed Accounts are grouped into five segments. These segments are discussed below:

- ❑ **Deposit Funds** - FMS maintains various deposit funds including the foreign claims deposit funds that receive collections and make disbursements upon administrative or legal determination. These accounts are considered non-entity because the amounts are not available for Government purposes.

FMS manages the foreign claims deposit funds that pay amounts awarded to U. S. citizens, nationals and businesses that, typically, lost personal or real property in a specific foreign country as a result of war, nationalization or a similar occurrence. The Department of State negotiates with the foreign Government for a lump sum amount to be paid by the foreign Government for restitution to the claimants. The Foreign Claims Settlement Commission adjudicates the claims and FMS processes and disburses the claims and maintains the subsidiary and general ledgers. FMS charges an administrative fee, which is deposited in the Treasury General Fund.

- ❑ **General Fund Receipt Accounts** - FMS manages the reporting of 14 General Fund receipt accounts for which the Department of the Treasury is administratively responsible. These accounts accumulate deposits. For some of the receipt accounts, FMS is responsible for making the actual deposits. Amounts collected are posted to the appropriate receipt account, and transferred to the Treasury General Fund at the end of the fiscal year. At the time of collection, the receipts are not available for expenditure because the law does not earmark them for a specific purpose. These collections include payment of principal and interest on loans, deposits of Federal Reserve Bank earnings and other miscellaneous deposits.

FMS reports the interest received on Treasury moneys deposited in the Federal Reserve Bank on a weekly basis. These collections are posted to a specific receipt account, Deposit of Earnings, Federal Reserve System.

- ❑ **Revolving Fund Account** - The revolving fund account managed by FMS receives appropriations from Congress. The United States Treasury Check Forgery Insurance Fund receives an appropriation to meet the Government's responsibility for the payment of settlement checks issued to replace checks paid over forged endorsements.
- ❑ **Clearing/Suspense Accounts** - The suspense accounts managed by FMS were established for the purpose of temporarily holding remittances pending clearance to the applicable receipt or expenditure accounts.
- ❑ **All Other Programs** - FMS also provides proprietary and budgetary accounting and reporting for other appropriated accounts and one special account.

Appropriated Accounts - FMS is responsible for various appropriated Treasury accounts. Most receive appropriated funds that are subsequently disbursed in a lump sum to the program agency or recipient. Some accounts, such as the Claims, Judgments and Relief Act accounts were established for payment of final judgments, awards, damages not chargeable to appropriations of individual agencies, and compromise settlements. FMS manages the activity in these accounts.

Special Fund Accounts - Special fund accounts record receipts that are appropriated by Congress for subsequent expenditure for specific programs. FMS is responsible for one special fund account, the Presidential Election Campaign Fund. In this case, the fund is financed through the collections of the \$3 check-off option selected by taxpayers. The funds are collected by the IRS monthly and deposited into the special fund account. Once the amount is deposited, FMS manages the account and payments are made to qualified recipients upon certification from the Federal Election Commission.

Selected Financial Statement Balances and Descriptions for Amounts

Fund Balance with Treasury

The Fund Balance with Treasury represents current unpaid obligations of \$91.7 million and unobligated funds of \$88.2 million. The unobligated funds of the annual appropriations from fiscal 1996 through fiscal 2000 were \$12.1 million and are restricted in that they may only be used for adjustments to current outstanding obligations for those fiscal years. The unobligated no-year and multi year appropriations of \$76.1 million are available without fiscal-year limitation.

The non-entity Fund Balance with Treasury represents funds with a specific purpose dependent on the specific legislative authority. These programs are

primarily funded through appropriations, collections, tax receipts, gifts to the Government and settlements from foreign countries.

Intra-Governmental Accounts Receivable

Intra-governmental Accounts Receivable primarily relates to reimbursable revenue for services provided to other agencies. The increase in Accounts Receivable of \$4.6 million from FY 1999 is attributable to timing differences at the end of the fiscal year.

Receivable on Deposit of Earnings

The receivable of \$552.2 million is composed of Deposit of Earnings with the Federal Reserve, interest outstanding on those deposits, and reclamations from banks to the Check Forgery Insurance Fund.

Advances and Prepayments

Advances and Prepayments consist almost entirely of funds transferred to the Department of the Treasury's Working Capital Fund, for which it receives services on a reimbursable basis. The services provided include those for telecommunications, printing, and other central services.

Property and Equipment

Property, Plant and Equipment consists primarily of check printing and wrapping systems utilized by the Regional Operations and BDMOC areas in disbursing Government payments as well as hardware and software used in various information systems.

Accounts Payable

There are two categories of accounts payable, intra-governmental and with the Public. The intra-governmental balances reflect transactions with other Federal program agencies. With the Public balances reflect payables with vendors outside the Federal Government.

The non-entity accounts payable for \$185.7 million represents amounts owed to other federal agencies or others outside the Federal Government. This includes amounts payable to Federal agencies for interest on uninvested funds and amounts due the general fund for usage by Federal agencies. Accounts payable also includes activities of Debt Management Services.

Due to the General Fund and Others

FMS is responsible for managing various assets on behalf of the Federal Government, which are classified as non-entity. FMS reports a liability entitled, "Due to the General Fund and Others" to offset these non-entity assets. Collections on certain receivables maintained by FMS must be transferred to the General Fund. This includes receivables due from the Federal Reserve System. FMS records a liability to reflect amounts expected to be collected and transferred to the General Fund.

Liability for Deposit Funds - Foreign and Domestic

FMS maintains various deposit funds to which collections and disbursements are posted. An administrative fee is charged for those services, and a liability is established to report amounts due.

Reimbursable Revenue

Total reimbursable revenue in FY 2000 was \$87.4 million. The largest source of reimbursable revenue for FMS comes from the Social Security Trust Fund. FMS is reimbursed for the physical cost associated with issuing Social Security benefit payments.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

FMS takes pride in the recognition that it received from the Department of the Treasury that, as an agency, FMS has established a viable management controls program, "one that is visible at the highest levels of the FMS organization." This recognition reflects the success of recent efforts to strengthen management controls and aggressively address any internal control deficiencies under the guidance of the Federal Managers' Financial Integrity Act (FMFIA).

FMS has implemented processes to ensure that ongoing evaluations of management controls are being conducted in a conscious and thorough manner. Standards are applied to the evaluation of programs and steps are taken to analyze the effectiveness of controls as required by the Office of Management and Budget, the General Accounting Office, and Treasury's Inspector General. Managers at all levels of the organization are held accountable for their performance under FMFIA to ensure that all deficiencies are addressed promptly and effectively. The following FY 2000 achievements demonstrate our strong commitment to management controls and reflect the focus of our efforts:

- Completed the first full cycle of the Management Control Improvement Process. Conducted risk assessments of all major programs; evaluated the management of those risks, and analyzed the effectiveness of the internal controls.

- Established and populated an automated tracking system that provides timely and accurate information on all audit actions.
- Tracked, reported, and resolved all deficiencies associated with FMS' FY 1999 financial statement audit, which included three material weaknesses and ten management letter findings. All deficiencies were completed on time and validated by the auditors.
- Evaluated the bureau financial management systems. All systems, in accordance with recent OMB guidance issued on January 4, 2001, are in substantial compliance with the provisions of FFMIA. This included actions taken to resolve all deficiencies in FMS' property tracking system, MACAMS.

We will continue our focused efforts to maintain the level of integrity in our management control systems that resulted this year in an unqualified opinion in FMS' financial statement audit. We are committed to improving systems and operations that will instill confidence and provide quality services to the American public

**Independent Auditor Reports and
Management Response**



2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report on Consolidated Financial Statements

To the U.S. Department of Treasury, Office of Inspector General and
The Commissioner of the Financial Management Service:

We have audited the accompanying consolidated balance sheet of the U.S. Department of the Treasury's Financial Management Service (FMS) as of September 30, 2000, and the related consolidated statements of net cost, changes in net position, budgetary resources, financing, and custodial activity for the year then ended. These consolidated financial statements are the responsibility of FMS's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards, and OMB Bulletin No. 01-02, require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures relating to the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FMS, as of September 30, 2000, and its net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations, and custodial activity for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The information in the Management Discussion and Analysis section and the required supplementary information presented in Schedules 4, 5, 6 and 6a is not a required part of the consolidated financial statements but is supplementary information required by the Federal Accounting Standards Advisory Board or OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, as amended. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit the information in the Management Discussion and Analysis section and required supplementary information presented in Schedules 4, 5, 6 and 6a, and, accordingly, we express no opinion on them.



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In accordance with *Government Auditing Standards*, we have also issued reports dated January 19, 2001, on our consideration of FMS's internal control over financial reporting and its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on schedules 7 through 12 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations and custodial activity of FMS's Salaries and Expense Fund and Treasury-Managed Accounts individually. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

January 19, 2001



2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report on Internal Control over Financial Reporting

To the U.S. Department of the Treasury, Office of Inspector General and
The Commissioner of the Financial Management Service:

We have audited the consolidated financial statements of the U.S. Department of the Treasury's Financial Management Service (FMS) as of and for the year ended September 30, 2000, and have issued our report thereon dated January 19, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered FMS's internal control over financial reporting by obtaining an understanding of FMS's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02 and *Government Auditing Standards*. We did not test all internal controls as defined by the Federal Manager's Financial Integrity Act of 1982. The objective of our audit was not to provide assurance on FMS's internal control. Consequently, we do not provide an opinion on internal control over financial reporting.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. Material weaknesses are conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the consolidated financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined above.



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The attached exhibit presents the status of prior year audit findings.

Additional Required Procedures

As required by OMB Bulletin No. 01-02, with respect to internal control related to performance measures determined by management to be key and reported in the Management Discussion and Analysis section of the Fiscal Year 2000 financial statements, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on internal control related to performance measures.

We noted other matters involving internal control and its operation that we have reported to the management of FMS in a separate letter dated January 19, 2001.

This report is intended solely for the information and use of FMS's management, the Department of the Treasury Office of Inspector General, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 19, 2001

**Department of the Treasury
Financial Management Service**

**Status of Prior Year Material Weaknesses Identified in
Internal Control over Financial Reporting**

| Finding | Status in FY00 | Reason |
|---------------------------------------------------------------------------------------|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial Management and Reporting Policies and Procedures | Closed | FMS implemented new policies and procedures related to accounting and financial reporting. |
| Property and Equipment | Closed | Steps were taken to improve MACAMS and formal policies and procedures were implemented. |
| Lack of Documentation Supporting Liabilities for Deposit Funds and Suspense Accounts. | Closed | FMS created subsidiary ledgers where needed, assigned TMA accounts to specific accountants, and developed standard procedures for write offs and allowances. |



2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report on Compliance with Laws and Regulations

To the U.S. Department of the Treasury, Office of Inspector General and
The Commissioner of the Financial Management Service:

We have audited the consolidated financial statements of the U.S. Department of the Treasury's Financial Management Service (FMS) as of and for the year ended September 30, 2000, and have issued our report thereon dated January 19, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The management of FMS is responsible for complying with laws and regulations applicable to FMS. As part of obtaining reasonable assurance about whether FMS's consolidated financial statements are free of material misstatement, we performed tests of FMS's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to FMS. However, providing an opinion on compliance with laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph of this report, exclusive of FFMIA, disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 01-02.

Under OMB Bulletin No. 01-02 and FFMIA, we are required to perform tests of compliance with FFMIA section 803(a) requirements, which indicate whether FMS's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. The results of our tests disclosed instances, described below, where FMS's financial management systems did not substantially conform with Federal financial management systems requirements.



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We noted certain computer control weaknesses including ineffective security planning, lack of strong access control, and incomplete security reviews as required by OMB Circular A-130. FMS expects to correct the findings related to ineffective security planning by fiscal year 2002 which will include complete system security reviews which will begin in fiscal year 2001. Access control deficiencies are primarily related to the Government On-Line Accounting and Link System (GOALS I) which is scheduled to be replaced with an improved system, GOALS II, in fiscal year 2001. It is expected that GOALS II, if successfully implemented, will eliminate the access control portion of the non-conformance.

The results of our tests disclosed no instances in which the FMS's financial management systems did not substantially comply with applicable Federal accounting standards or the United States Government Standard General Ledger at the transaction level.

This report is intended solely for the information and use of the FMS's management, the Department of the Treasury Office of Inspector General, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 19, 2001



DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE
WASHINGTON, D.C. 20227

JAN 11 2001

Karen L. Molnar, Partner
KPMG, LLP
2001 M Street, NW
Washington, DC 20036

Dear Ms. Molnar:

This is in response to your reports to the Department of the Treasury Office of Inspector General and the Commissioner of the Financial Management Service on our fiscal year 2000 financial statements.

FMS is very proud to have received an unqualified opinion on our financial statements for FY 2000, with no reportable internal control weaknesses. The results of your audit are a real satisfaction to everyone at FMS who worked very diligently all year to address the deficiencies in our systems and processes that you brought to our attention last year. We also appreciate the efforts that you and your staff expended to provide us with a reliable and timely evaluation of our financial statements. The cooperative effort is a tribute to everyone's commitment to the project.

FMS took a proactive approach to resolving our deficiencies that we believe contributed substantially to our obtaining an unqualified audit opinion. We viewed all your findings and recommendations to be important issues that needed to be addressed, and we did not consider our work completed until all issues were resolved. We placed a strong emphasis on the team effort, an ambitious corrective action schedule, and continuous testing of results. The audit results speak for themselves.

Moving into the new year, we are confident that our approach to managing the bureau's financial programs will result in maintaining the integrity of our systems and processes. We will continue to build on the recent success of FMS' unqualified opinion to ensure continued favorable results.

Sincerely

A handwritten signature in black ink, appearing to read "Scott H. Johnson".

Scott H. Johnson
Assistant Commissioner Management (CFO)

Principal Financial Statements

Financial Management Service
CONSOLIDATED BALANCE SHEET
As of September 30, 2000
(In thousands)

ASSETS:

Entity Assets:

Intragovernmental:

| | |
|-------------------------------------------|------------|
| Fund Balances with U.S. Treasury (Note 2) | \$ 179,902 |
| Accounts Receivable, Net (Note 4) | 2,033 |
| Advances and Prepayments | 2,943 |

With the Public:

| | |
|--------------------------------------|--------|
| Accounts Receivable (Note 4) | 22 |
| Advances and Prepayments | 16 |
| Inventories of Materials | 1,840 |
| Operating Materials and Supplies | 364 |
| Property and Equipment, Net (Note 5) | 23,316 |

| | |
|---------------------|----------------|
| Total Entity Assets | <u>210,436</u> |
|---------------------|----------------|

Non-Entity Assets:

Intragovernmental:

| | |
|-----------------------------------------------------------------------------|---------|
| Fund Balances with U.S. Treasury (Note 2) | 327,809 |
| Accounts Receivable, Net (Note 4) | 941,425 |
| Interest Receivable from Investments - Deposit and Trust Funds | 149 |
| Investment in Government Securities - Deposit and Trust Funds, Net (Note 3) | 12,770 |

With the Public:

| | |
|--------------------------------------------------------|---------|
| Receivable on Deposit Earnings, Federal Reserve System | 552,224 |
| Accounts Receivable, Net (Note 4) | 6,563 |

| | |
|-------------------------|------------------|
| Total Non-Entity Assets | <u>1,840,940</u> |
|-------------------------|------------------|

| | |
|---------------------|----------------------------|
| TOTAL ASSETS | <u><u>\$ 2,051,376</u></u> |
|---------------------|----------------------------|

(Continued)

Financial Management Service
CONSOLIDATED BALANCE SHEET, Continued
As of September 30, 2000
(In thousands)

LIABILITIES

Liabilities Covered by Budgetary Resources:

Intragovernmental:

| | |
|---------------------------------------------------|--------------|
| Due to the General Fund and Others (Note 6) | \$ 1,506,448 |
| Liability for Deposit Funds and Suspense Accounts | 308 |
| Accounts Payable (Note 7) | 40,514 |
| Other Accrued Liabilities | 29 |
| Accrued Payroll Benefits | 1,192 |

With the Public:

| | |
|----------------------------------------------------|---------|
| Liability for Deposit Funds - Foreign and Domestic | 148,425 |
| Accounts Payable (Note 7) | 152,808 |
| Accrued Payroll | 6,627 |
| Obligations Under Capital Lease (Note 9) | 263 |
| Other Accrued Liabilities | 63,457 |

| | |
|--------------------------------------------------|------------------|
| Total Liabilities Covered by Budgetary Resources | <u>1,920,071</u> |
|--------------------------------------------------|------------------|

Liabilities not Covered by Budgetary Resources

Intragovernmental:

| | |
|----------------------------------------|-----|
| Accrued Workers' Compensation (Note 8) | 882 |
|----------------------------------------|-----|

With the Public:

| | |
|----------------------------------------------------------------|--------|
| Accrued Actuarial Liability for Workers' Compensation (Note 8) | 5,262 |
| Accrued Annual Leave | 10,146 |

| | |
|------------------------------------------------------|---------------|
| Total Liabilities not Covered by Budgetary Resources | <u>16,290</u> |
|------------------------------------------------------|---------------|

| | |
|-------------------|------------------|
| Total Liabilities | <u>1,936,361</u> |
|-------------------|------------------|

COMMITMENTS AND CONTINGENCIES (Notes 9, 10 and 12)

NET POSITION (Note 11)

| | |
|----------------------------------|---------|
| Unexpended Appropriations | 107,160 |
| Cumulative Results of Operations | 7,855 |

| | |
|--------------------|----------------|
| Total Net Position | <u>115,015</u> |
|--------------------|----------------|

| | |
|-------------------------------------------|----------------------------|
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 2,051,376</u></u> |
|-------------------------------------------|----------------------------|

Financial Management Service
CONSOLIDATED STATEMENT OF NET COST
For the Year Ended September 30, 2000
(In thousands)

ENTITY COSTS:

Payments:

| | |
|-----------------------|----------------|
| Intragovernmental | \$ 70,368 |
| With the Public | 152,533 |
| Total Program costs | <u>222,901</u> |
| Less Earned Revenues | (42,808) |
| Net Cost for Payments | <u>180,093</u> |

Collections:

| | |
|--------------------------|----------------|
| Intragovernmental | 35,903 |
| With the Public | 77,824 |
| Total Program costs | <u>113,727</u> |
| Less Earned Revenues | (21,841) |
| Net Cost for Collections | <u>91,886</u> |

**Governmentwide Accounting
and Reporting:**

| | |
|---------------------------------------------------------|---------------|
| Intragovernmental | 27,286 |
| With the Public | 59,146 |
| Total Program costs | <u>86,432</u> |
| Less Earned Revenues | (16,599) |
| Net Cost for Governmentwide Accounting and Reporting | <u>69,833</u> |

Debt Management Services:

| | |
|---------------------------------------|---------------|
| Intragovernmental | 10,053 |
| With the Public | 21,791 |
| Total Program costs | <u>31,844</u> |
| Less Earned Revenues | (6,115) |
| Net Cost for Debt Management Services | <u>25,729</u> |

Net Cost for Entity Operations 367,541

NON-ENTITY COSTS:

Payments on Behalf of Other Federal Agencies made
through Treasury Managed Accounts (Note 13) 8,402,449

NET COST OF OPERATIONS \$ 8,769,990

The accompanying notes are an integral part of these statements.

Financial Management Service

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

As of September 30, 2000

(In thousands)

| | | |
|----------------------------------------------------------|-----------|-----------------------|
| Net Cost of Operations | \$ | 8,769,990 |
| Financing Sources (other than exchange revenues): | | |
| Appropriations Used | | 8,742,371 |
| Imputed Financing (Note 12) | | 10,243 |
| Other | | 10,381 |
| Total Financing Sources | | <u>8,762,995</u> |
| Net Change in Cumulative Results of Operations | | <u>(6,995)</u> |
| Decrease in Unexpended Appropriations | | <u>(8,664)</u> |
| Change in Net Position | | <u>(15,659)</u> |
| Net Position-Beginning of Period | | <u>130,674</u> |
| Net Position-End of Period | \$ | <u><u>115,015</u></u> |

The accompanying notes are an integral part of these statements.

Financial Management Service
CONSOLIDATED STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2000
(In thousands)

Budgetary Resources:

| | |
|-----------------------------------------------------------------------------|---------------------|
| Budget authority | \$ 11,874,161 |
| Unobligated balances-beginning of period | 1,203,728 |
| Spending authority from offsetting collections | 151,930 |
| Recoveries of prior year obligations | 31,998 |
| Reclassification of Receivables from a Budgetary to a Non-Budgetary Account | (780,721) |
| Adjustments (Note 14) | (3,459,088) |
| Total budgetary resources | <u>\$ 9,022,008</u> |

Status of Budgetary Resources:

| | |
|-------------------------------------|---------------------|
| Obligations incurred | \$ 8,893,396 |
| Unobligated balances-available | 113,502 |
| Unobligated balances-not available | 15,110 |
| Total status of budgetary resources | <u>\$ 9,022,008</u> |

Outlays:

| | |
|-----------------------------------------------------------------------------|---------------------|
| Obligations incurred | \$ 8,893,396 |
| Less: spending authority from offsetting collections and adjustments | (183,928) |
| Reclassification of Receivables from a Budgetary to a Non-Budgetary Account | 780,721 |
| Obligated balance, net-beginning of period | (610,665) |
| Obligated balance, net-end of period | (219,540) |
| Total outlays | <u>\$ 8,659,984</u> |

The accompanying notes are an integral part of these statements.

Financial Management Service
CONSOLIDATED STATEMENT OF FINANCING
For the Year Ended September 30, 2000
(In thousands)

Obligations and Nonbudgetary Resources

| | |
|-----------------------------------------------------------------------------|------------------|
| Obligations incurred | \$ 8,893,396 |
| Less: Spending authority from offsetting collections and adjustments | (183,928) |
| Reclassification of Receivables from a Budgetary to a Non-Budgetary Account | 780,721 |
| Imputed Financing Sources | 10,243 |
| Treasury Managed Accounts activity | 49,000 |
| Total obligations as adjusted, and non budgetary resources | <u>9,549,432</u> |

Resources That Do Not Fund Net Cost of Operations

| | |
|--------------------------------------------------------------------------------------------|------------------|
| Change in amount of goods, services, and benefits ordered but not yet received or provided | (924) |
| Costs capitalized on the balance sheet | (9,788) |
| Financing sources that fund costs of prior periods | (52,965) |
| Treasury Managed Accounts activity | (755,473) |
| Total resources that do not fund net cost of operations | <u>(819,150)</u> |

Costs That Do Not Require Resources

| | |
|------------------------------------------------------------------|---------------|
| Depreciation and amortization | 8,343 |
| Bad debts related to uncollectible non-credit reform receivables | (55,236) |
| Revaluation of assets and liabilities | 885 |
| Loss on disposition of assets | 203 |
| Treasury Managed Accounts activity | 79,626 |
| Other | 4,960 |
| Total costs that do not require resources | <u>38,781</u> |

| | |
|-------------------------------------------------------|------------|
| Change in Financing Sources Yet to be Provided | <u>927</u> |
|-------------------------------------------------------|------------|

| | |
|-------------------------------|---------------------|
| Net Cost of Operations | <u>\$ 8,769,990</u> |
|-------------------------------|---------------------|

The accompanying notes are an integral part of these statements.

Financial Management Service

CONSOLIDATED STATEMENT OF CUSTODIAL ACTIVITY

As of September 30, 2000

(In thousands)

Revenue Activity:

Sources of Collections:

| | |
|---------------------------------------------|-------------------|
| Deposit of Earnings, Federal Reserve System | \$ 32,293,398 |
| Interest Revenue | 1,830,880 |
| Other Revenue | 250,096 |
| Penalties and Fines Revenue | 155,228 |
| Total Cash Collections (Note 15) | <u>34,529,602</u> |

| | |
|--------------------------------|-------------------|
| Accrual Adjustment | 248,520 |
| Total Custodial Revenue | <u>34,778,122</u> |

Disposition of Collections:

| | |
|------------------------------------------------------------|-------------------|
| Amounts Transferred to the Treasury General Fund (Note 15) | 34,529,602 |
| Accrual Adjustment | 248,520 |
| Total Disposition of Revenue | <u>34,778,122</u> |

| | |
|-------------------------------|-------------------|
| Net Custodial Activity | <u><u>\$0</u></u> |
|-------------------------------|-------------------|

The accompanying notes are an integral part of these statements.

Financial Management Service
NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2000
(In thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the Financial Management Service (FMS), pursuant to the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The Balance Sheet, the Statement of Net Cost, the Statement of Changes in Net Position, the Statement of Budgetary Resources, the Statement of Financing, and the Statement of Custodial Activity have been prepared from the books and reports of FMS and are presented in accordance with Office of Management and Budget (OMB) Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, as amended.

Reporting Entity

FMS is a bureau of the U. S. Department of the Treasury. FMS' mission is to improve the quality of government financial management. FMS' commitment and responsibility is to help its customers achieve success. FMS does this by linking program and financial management objectives and by providing financial services, information, advice, and assistance to its customers. FMS serves taxpayers, the U. S. Treasury Department, federal program agencies, and government policy makers.

Entity accounts are accounts that FMS has authority to use in its operations. The authority to use funds in an entity's operations means that entity management has the authority to decide how funds are used, or management is legally obligated to use funds to meet entity obligations. These financial statements include the activity of 16 entity account symbols detailed in Schedule 1.

Non-entity accounts, generally referred to as Treasury Managed Accounts, are those accounts that FMS holds but are not available to FMS in its operations. For example, FMS accounts for certain cash that the Federal Government collects and holds on behalf of the U. S. Government or other entities. These financial statements include the activity of 99 non-entity account symbols, detailed in Schedule 2. In FY 1999, FMS reported Foreign Currencies held by the U. S. Government as non-entity assets and related liabilities. In FY 2000, FMS reviewed the propriety of reporting these amounts on its financial statements. FMS determined that it was not appropriate to reflect these amounts on the financial statements, because FMS did not have responsibility for management of these accounts. Therefore these amounts have been removed from the FY 2000 financial statements.

Budgets and Budgetary Accounting

The primary source of entity funding for FMS is the annual Salaries and Expense appropriation from Congress. Funds in the salaries and expense appropriation account are available for obligation to cover salaries and operating expenses during the fiscal year for which they were

provided. There are also several entity "multi-year" Salaries and Expense appropriations for FMS. A portion of FMS' Salaries and Expense appropriation is designated as "no-year funds" which are available until expended by FMS for systems modernization. For the fiscal year ended September 30, 2000, FMS received appropriations of \$200,555 for salaries and expenses and \$10,635 is available until expended for systems modernization.

FMS has a permanent, indefinite appropriation that is not subject to budgetary ceilings established by Congress. This appropriation is used to reimburse the Federal Reserve Board for the fiscal services they perform on behalf of the U. S. Department of the Treasury.

Some non-entity accounts receive appropriations for specific federal programs. The non-entity permanent, indefinite appropriations are not subject to budgetary ceilings established by Congress. These appropriations are used for payments to Federal program agencies and others. Schedule 3 identifies the non-entity permanent, indefinite appropriations administered by FMS.

Basis of Accounting

The standards used in the preparation of the accompanying financial statements are issued by the Federal Accounting Standards Advisory Board (FASAB), as the body authorized to establish generally accepted accounting principles for federal government entities. Accordingly, the accompanying financial statements are prepared in accordance with generally accepted accounting principles.

The accompanying statements are different, from the financial reports, prepared by FMS pursuant to OMB directives that are used to monitor and control FMS' use of budgetary resources.

FMS records accounting transactions on both the accrual and budgetary basis of accounting. Under the accrual method, revenue is recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

Fund Balances with U.S. Treasury

FMS does not maintain cash in commercial bank accounts. The U.S. Treasury processes receipts and disbursements. The funds with the U.S. Treasury are primarily appropriated funds that are available to pay current liabilities and to finance authorized purchases.

Accounts Receivable

Accounts receivable are comprised of Intragovernmental and accounts with the Public. Over 90% of these amounts are Intragovernmental (i.e., due from other federal agencies). FMS records an allowance for uncollectible accounts based on individual account analysis.

Advances and Prepayments

Advances and prepayments consists almost entirely of funds advanced to the Working Capital Fund at the Department of the Treasury, which is primarily used to fund the telephone system.

Investments in Government Securities

FMS is authorized to invest certain deposit and trust funds in federal government securities in accordance with various legislation. The investments are reported at their acquisition cost net of unamortized premium or discount. Premium and discount amortization is recognized as an adjustment to interest income utilizing the effective interest method. The fair market value of these bills are calculated using the mean rate between the bid and ask rate for the bills on September 30, 2000.

Receivable on Deposit of Earnings, Federal Reserve System

The Board of Governors, under authority of Section 16 of the Federal Reserve Act, pays interest on Treasury moneys deposited in Federal Reserve Banks. The payment is made each Wednesday or on the next business day if Wednesday is a holiday. The amount of the interest payment is equal to undistributed net earnings for the previous Wednesday. The Receivable on Deposit of Earnings represents the accrued interest due Treasury as of September 30, 2000. Such amounts are collected on behalf of the Treasury's General Fund, and are included in liabilities due to the General Fund.

Inventories of Materials

Inventories of materials consists of ADP ribbons, check wrapping systems paper, paper check envelopes and general supplies. FMS values its inventories using the weighted average cost method, which approximates historical cost.

Operating Materials and Supplies

All operating materials and supplies are categorized as held for use. These materials consist of forms and envelopes, and are expensed when used. Operating materials and supplies are valued at latest acquisition price, which approximates historical cost.

Property and Equipment

The threshold for capitalization of property, equipment and internally developed software is fifty thousand dollars. Depreciation is computed on a straight-line basis over the estimated useful life of the property or equipment. ADP equipment and ADP software are depreciated using a service life of 6 years. Copiers and other equipment, and leasehold improvements are depreciated using a service life of 10 years.

Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources include liabilities incurred for which revenues or other sources of funds necessary to pay the liabilities have not been made available through congressional appropriations or current earnings of the reporting entity. Notwithstanding an expectation that the appropriations will be made, whether they in fact will be made is completely at the discretion of the Congress.

Due to the General Fund and Others

FMS is responsible for managing various assets on behalf of the federal government, which are classified as non-entity. In accordance with Statement of Federal Financial Accounting Standard (SFFAS) #1, the Department reports a liability entitled, "Due to the General Fund and Others" to

offset these net non-entity assets. Collections on certain receivables maintained by FMS must be transferred to the General Fund of the U.S. Department of the Treasury. This includes receivables due from the Federal Reserve System.

Annual, Sick and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued annual leave account reflects current pay rates. Sick leave and other types of nonvested leave are charged to operating costs when they are taken.

Revenues and Other Financing Sources

Appropriations are recognized as a financing source at the time the "funded" expenses are incurred, except for appropriations expended for property and equipment, which are recognized as assets are purchased. Appropriations are not recognized as a financing source for "unfunded" expenses, as future appropriations will be required to pay for such expenses. Reimbursable revenues are recognized when earned (i.e., goods have been delivered or services rendered). All earned revenues are intragovernmental in nature.

Entity Costs

The primary operating costs included on the Statement of Net Cost are for salaries and related benefits, postage costs related to disbursement activities, fees paid to Federal Reserve Banks for processing tax deposits, and space rental. All entity costs fall under the Central Fiscal Operations Budget Functional Classification.

Undelivered Orders

FMS has obligations remaining at the end of each year for goods and services that have been ordered, but not yet received (undelivered orders). As of September 30, 2000, aggregate undelivered orders for the salary and expense accounts amounted to \$42,854. As of September 30, 2000, undelivered orders amounted to \$29,552 for the Treasury Managed accounts.

Custodial Activity

Custodial revenues are recognized on a cash basis when amounts are deposited into receipt accounts. However, the accrual method of accounting is used to recognize interest earned on trust and deposit funds, and to recognize the premiums and discounts on investments.

Intragovernmental Financial Activities

The financial activities of FMS are affected by, and are dependent upon, those of the U.S. Department of the Treasury and the Federal Government as a whole. Thus, the accompanying financial statements do not reflect the results of all financial decisions and activities applicable to FMS as if it were a stand-alone entity.

Use of Estimates

The preparation of the accompanying financial statements required management to make estimates and assumptions about certain amounts included in the financial statements. Actual results will invariably differ from those estimates.

Tax Status

FMS, as a federal agency, is not subject to federal, state, or local income taxes and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

NOTE 2. FUND BALANCES WITH U.S. TREASURY

FMS holds Fund Balance with the U.S. Treasury for both entity (i.e., FMS Salaries and Expense Appropriations) and non-entity (i.e., Treasury Managed) accounts. Obligated balances are funds against which budgetary obligations have been incurred, but disbursements have not been made. The Unobligated Available balance is the amount of funds available to FMS against which no claims have been recorded. The Unobligated Unavailable balance is the amount of unobligated funds remaining from appropriations that have expired. Fund Balance with the U.S. Treasury as of September 30, 2000 consisted of the following:

Fund Balances with Treasury - Entity

| Account Type | Obligated | Unobligated Available | Unobligated Unavailable | Total |
|---------------------|-----------------|-----------------------|-------------------------|------------------|
| Appropriated Funds: | | | | |
| No Year | \$62,281 | \$63,251 | \$ - | \$125,532 |
| Annual and Multi- | | | | |
| Year Appropriations | 29,436 | 12,827 | 12,107 | 54,370 |
| Total | <u>\$91,717</u> | <u>\$76,078</u> | <u>\$12,107</u> | <u>\$179,902</u> |

The amount of money returned to the Treasury General Fund as a result of the cancellation of expired accounts for fiscal year 2000 was \$785.

Fund Balances with Treasury – Non-Entity

The Fund Balance with Treasury for the non-entity accounts is funded through various sources depending on the specific legislative authority and purpose. Non-entity Fund Balance with Treasury may be used only for specific purposes. Such amounts may be in escrow or other special accounts. The non-entity accounts are primarily funded through appropriations, collections, tax receipts, gifts to the Government, and settlements from foreign countries.

| Account Type | Obligated | Unobligated Available | Unobligated Unavailable | Total |
|--------------------|------------------|-----------------------|-------------------------|------------------|
| Appropriated Funds | \$127,274 | \$26,799 | \$ 3,003 | \$157,076 |
| Revolving Funds | 539 | 10,245 | - | 10,784 |
| Trust Funds | 10 | 69 | - | 79 |
| Other Fund Types | - | - | 159,870 | 159,870 |
| Total | <u>\$127,823</u> | <u>\$37,112</u> | <u>\$162,873</u> | <u>\$327,809</u> |

The non-entity fund balance, unobligated available supports the budgetary resources available

except for \$310 which is invested. The non-entity fund balance, unobligated unavailable for appropriated funds supports the budgetary resources not available. The non-entity fund balance, unobligated unavailable for other fund types, includes only deposit funds and suspense accounts which do not have a budgetary impact.

NOTE 3. INVESTMENT IN GOVERNMENT SECURITIES – DEPOSIT AND TRUST FUNDS

FMS invests certain deposit and trust funds in market-based Treasury bills with interest yields ranging from 5.8% to 6.0%. FMS also invests in market-based bonds with interest yields on these securities ranging from 7.5% to 11.6%. FMS either holds these securities to their maturity or redeems these securities to meet deposit fund disbursement needs.

As of September 30, 2000, investments of deposit and trust funds were as follows:

| Trust or Deposit Fund | Cost | Unamortized Premium/ (Discount) | Investments, Net | Market Value |
|---------------------------------------------|-----------------|---------------------------------------|---------------------|-----------------|
| German Settlement Fund | \$ 6,168 | \$ (26) | \$ 6,142 | \$ 6,143 |
| Albanian Claims Fund | 994 | (3) | 991 | 991 |
| Iranian Claims Settlement Fund | 119 | (1) | 118 | 119 |
| Vietnam Claims Settlement Fund | 228 | - | 228 | 227 |
| Kennedy Center Revenue Bond Sinking Fund | 4,802 | 157 | 4,959 | 5,476 |
| Esther Cattell Schmitt Trust Fund | 310 | 22 | 332 | 344 |
| Total | <u>\$12,621</u> | <u>\$149</u> | <u>\$12,770</u> | <u>\$13,300</u> |

NOTE 4. ACCOUNTS RECEIVABLE, NET

Entity Intragovernmental Accounts Receivable, Net

Entity intragovernmental accounts receivable represent amounts owed to FMS for services that include issuing Federal payments, check claims processing and use of the Government On-Line Accounting Link System (GOALS). Accounts receivable due from Federal agencies as of September 30, 2000 consisted of the following:

| | |
|--------------------------------------------|-----------------|
| Gross Accounts Receivable | \$ 2,287 |
| Less: Allowance for Uncollectible Accounts | (254) |
| Accounts Receivable, Net | <u>\$ 2,033</u> |

The allowance for uncollectible accounts was calculated using the specific identification method.

Entity Accounts Receivable, with the Public

Entity accounts receivable with the public includes amounts due from vendors and employees for overpayments made to them. As of September 30, 2000, vendor and employee receivables total \$22, and are considered fully collectible.

Non-Entity Intragovernmental Accounts Receivable, Net

Non-entity accounts receivable, intragovernmental, includes amounts Federal agencies owe to FMS for the payment of water and sewage service to the District of Columbia, and amounts Federal agencies are required to reimburse the Treasury's Judgment Fund for settlements paid on their behalf for contract disputes and fire fighting services. Allowance accounts have been established to recognize losses on receivables that will more than likely not be collected. The allowance account for the water and sewer service to the District of Columbia represents the amounts owed by federal agencies from 1990 and 1991 that have not been collected. The basis for establishing an allowance account for contract disputes is as follows: (1) if the receivable is not repaid within three years, then it will be considered uncollectible and moved to an allowance account, therefore, receivables established during fiscal years 1992 through 1997 are included in the allowance account, and (2) if an agency does not respond to FMS within 360 days of notification or an agency will not acknowledge the debt, then the receivable will be considered uncollectible.

Accounts receivable as of September 30, 2000 consisted of the following:

| | |
|---------------------------------------------------|-------------------|
| Claims for Contract Disputes & Fire Fighting | |
| Services | \$1,475,367 |
| Billings for Water and Sewage Services, and Other | 29,067 |
| Gross Accounts Receivable | <u>1,504,434</u> |
| Less: Allowance for Uncollectible Accounts | (563,009) |
| Accounts Receivable, Net | <u>\$ 941,425</u> |

Non-Entity Accounts Receivable with the Public, Net

Non entity Accounts receivable with the public as of September 30, 2000 consisted of the following:

| | |
|--------------------------------------------|----------------|
| U.S. Treasury Check Forgery Insurance Fund | |
| Receivables | \$8,523 |
| Less: Allowance for Uncollectible Accounts | (1,960) |
| Accounts Receivable, Net | <u>\$6,563</u> |

The U.S. Treasury Check Forgery Insurance Fund was established to expedite payments on claims and provide a dependable source of funds to meet the Federal Government's responsibility for the payment of settlement checks issued to replace checks paid over forged endorsements. The receivable represents the amount due from banks who cashed the forged checks.

NOTE 5. PROPERTY AND EQUIPMENT, NET

FMS owns and leases various equipment, Automated Data Processing (ADP) equipment, and software that are essential to its operations. Property and equipment as of September 30, 2000 consisted of the following:

| | Service Life (In years) | Acquisition Cost | Accumulated Depreciation | Net Book Value |
|--------------------------|----------------------------|---------------------|-----------------------------|-------------------|
| ADP Software | 6 | \$13,548 | \$10,656 | \$ 2,892 |
| Equipment | 6 and 10 | 62,216 | 42,847 | 19,369 |
| Capital Lease-ADP Equip. | 6 | 437 | 55 | 382 |
| Leasehold improvements | 10 | 692 | 19 | 673 |
| Total | | <u>\$76,893</u> | <u>\$53,577</u> | <u>\$23,316</u> |

The majority of the reported property represents check printing and check wrapping systems employed by Regional Operations and Birmingham Debt Management Operations Center in the disbursing of Government payments and ADP hardware and software used in record keeping.

NOTE 6. DUE TO THE GENERAL FUND AND OTHERS

As of September 30, 2000, the balance in the due to the general fund and others consists of the following:

| | Entity Accounts | Non-Entity Accounts |
|------------------------------------------------------|--------------------|------------------------|
| Borrowing from the General Fund | \$ - | \$ 40,049 |
| Collections from Others, Payable to the General Fund | 1 | 1,504,822 |
| Unexpended Appropriations (Payable to Others) | - | (-21,701) |
| Cash Held in Reserve for Others | - | 12,039 |
| Other Net Results of Non-Entity Fund Activity | - | (28,762) |
| Total | <u>\$ 1</u> | <u>\$1,506,447</u> |

NOTE 7. ACCOUNTS PAYABLE

Accounts payable represents amounts owed to other federal agencies or others outside the Federal government. As of September 30, 2000, accounts payable consisted of the following:

Intragovernmental Accounts Payable Covered by Budgetary Resources

| | |
|---------------------------------------|-----------------|
| Interest on Uninvested Funds | \$21,898 |
| Payable from Debt Management Services | 18,542 |
| Biomass Energy Development | 74 |
| Total Accounts Payable | <u>\$40,514</u> |

Interest on Uninvested Funds - This indefinite appropriation account was established for the purpose of paying interest on certain uninvested funds placed in trust in the Treasury in accordance with various statutes. This is a payable to the Immigration and Naturalization Service. The law provides the cash received by the Attorney General as security on an immigration bond shall be deposited in the Treasury of the United States in trust for the obligor on the bond, and shall bear interest at a rate determined by the Secretary of the Treasury, except that in no case shall the interest exceed 3% per annum. Such interest shall accrue from date of deposit, to and including date of withdrawal or breach of bond.

Payable from Debt Management Services - This payable represents reimbursements from the Treasury Offset Program to various Federal agencies, and pending payments for mortgages processed by FMS to various agencies.

Biomass Energy Development - This is a payable to the Tennessee Valley Authority. This account is used to finance programs that aid commercial production of alcohol and other fuels from crops and crop waste, timber, animal and timber waste, and other forms of biomass and urban waste activities.

Accounts Payable with the Public Covered by Budgetary Resource

| | |
|-------------------------------------------------------------|------------------|
| Refund of Monies Erroneously Received – Harbor Maintenance | \$ 18,850 |
| Relief of Individuals and Others by Private and Public Laws | 32,496 |
| Payable from Judgment Fund | 90,301 |
| Salaries and Expense Payable | 7,563 |
| Federal Interest Liabilities to the States | 2,150 |
| U.S. Treasury Check Forgery Insurance Fund | 986 |
| German Democratic Republic Settlement Fund | 10 |
| Holocaust Survivors Fund | 4 |
| Interest on Uninvested Funds | 150 |
| Payable from Debt Management Services | 282 |
| Albanian Claims Fund | 10 |
| Esther Cattell Schmitt Gift Fund | 4 |
| Biomass Energy Development | 1 |
| Iranian Claims Settlement Fund | 1 |
| Total Accounts Payable | <u>\$152,808</u> |

Refund of Monies Erroneously Received - This is a payable to claimants who were assessed a Harbor Maintenance Fee. This fee was determined to violate the U.S. Constitution, and those who paid the fee are entitled to a refund. (See also Note 10)

Relief of Individuals and Others by Private and Public Laws - This payable represents amounts payable to individuals as a result of Private and Public Laws that have been passed by Congress.

Payable from Judgment Fund - This payable represents amounts to be paid by the Treasury-

managed Judgment Fund on behalf of Federal agencies for final judgments and compromise settlements made by the Court of Claims and the U.S. Courts. It also includes amounts to be paid by Treasury for damage claims. This also represents amounts payable to contractors that were awarded a judgment against the U.S. According to the Contract Disputes Act, Treasury pays the contractors promptly and then requests reimbursement to the fund by the agency whose appropriations were used for the contract.

Salaries and Expense Payable - This payable represents amounts FMS owes to vendors for goods or services delivered to FMS.

Federal Interest Liabilities to the States - This amount represents potential liabilities to be paid under the Cash Management Improvement Act to the states.

U.S. Treasury Check Forgery Insurance Fund - This payable represents claims submitted for settlement checks to replace checks paid over forged endorsements.

German Democratic Republic Settlement Fund - This payable represents amounts due to U.S. nationals who filed claims against the German Democratic Republic for losses which arose from the nationalization, expropriation or other taking by that government of property interests of nationals of the United States.

Holocaust Survivors Fund - This payable represents amounts due claimants who filed claims against Germany.

Interest on Uninvested Funds - This indefinite appropriation account was established for the purpose of paying interest on certain uninvested funds placed in trust in the Treasury in accordance with various statutes. This is a payable to the Board of Trustees of the National Gallery of Art. As of September 30, 2000, The Board of Trustees of the National Gallery of Art has funds in trust amounting to \$5 million. The interest payments are to be used by the Trustees for the protection and care of the works of art in the Gallery and for administrative and operating expenses.

Payable from Debt Management Services - This account includes TOP offsets for the States tax debts and fees due to the private collections agencies.

Albanian Claims Fund - This payable represents amounts due to U.S. nationals who filed property claims against Albania.

Esther Cattell Schmitt Gift Fund - This is a payable to the beneficiaries of Esther Cattell Schmitt's will. FMS administers this trust fund and is responsible for disbursing the earnings to the beneficiaries as well as depositing any earnings in excess to the general fund.

Biomass Energy Development - This is a payable to non-federal corporations. This account is used to finance programs that aid commercial production of alcohol and other fuels from crops and crop waste, timber, animal and timber waste, and other forms of biomass and urban waste activities.

Iranian Claims Settlement Fund - This payable represents amounts due to U.S. nationals who filed claims against Iran.

NOTE 8. WORKERS COMPENSATION

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to cover federal civilian employees injured on the job, employees who have incurred work-related occupational diseases, and beneficiaries of employees whose deaths are attributable to a job-related injury or occupational disease. Claims incurred for benefits to FMS employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by FMS. As of September 30, 2000, the liability for claims incurred was \$882.

Future workers' compensation estimates are generated by DOL from an application of actuarial procedures developed to estimate the liability for FECA benefits. This DOL estimated actuarial liability for FECA benefits includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases. The liability was determined using the paid losses extrapolation method calculated over a 37-year period. This method utilizes historical benefit payment patterns relating to a specific incurred period to predict the ultimate payments related to that period. Based on information provided by the Department of Labor, the Department of the Treasury determined that FMS' estimated actuarial liability as of September 30, 2000 was \$5,262.

NOTE 9. LEASES

Capital Leases

All FMS capital leases are for ADP equipment. See Note 5 - Property and Equipment for the related service life, acquisition cost, accumulated depreciation and net book value. Each lease is structured with one-year renewable options, which are dependent upon available funding. Therefore, future minimum payments consist only of next fiscal year amounts as follows:

| <u>Fiscal Year</u> | |
|-----------------------------|--------------|
| 2001 | \$237 |
| 2002 | 39 |
| Total Future Lease Payments | <u>276</u> |
| Less: Imputed Interest | 13 |
| Net Capital Lease Liability | <u>\$263</u> |

Operating Leases

FMS leases various buildings from the General Services Administration (GSA). FMS is not committed to continue to pay rent to GSA beyond the period occupied providing proper advance notice to GSA is made and unless the space occupied is designated as unique space only for FMS operations. However, it is expected that FMS will continue to occupy and lease office space from GSA in future years and that the lease charges will be adjusted annually to reflect operating costs incurred by GSA. For the year ended September 30, 2000 payments approximating \$22 were made to GSA for operating leases.

All FMS non-cancelable operating leases are for software. The software lease terms vary from 3 to 5 years, each with one-year renewable options dependent on available funding. As of September 30, 2000, future minimum lease payments under non-cancelable operating leases are as follows:

| <u>Fiscal Year</u> | |
|-----------------------------|-----------------|
| 2001 | \$ 5,385 |
| 2002 | 5,004 |
| 2003 | 2,036 |
| 2004 | 2,036 |
| 2005 | 1,877 |
| Total Future Lease Payments | <u>\$16,338</u> |

NOTE 10. CONTINGENCIES

There are numerous legal actions pending against the United States in the U.S. Court of Legal Claims where the claims may be based on action taken by FMS. Management intends to vigorously contest all such claims. Management believes, based on information provided by legal counsel, that losses, if any, for the majority of these cases would not have a material impact on the financial statements of FMS. Therefore, no loss accrual has been made for these cases as of September 30, 2000.

As of September 30, 2000 and as of January 19, 2001, FMS is involved with eight legal cases. Based on an evaluation of the likelihood of an unfavorable outcome and an estimate of the potential loss, there are only four cases which could have a material effect on the accompanying financial statements.

1. Pottowatomi Nation v. United States

The Pottowatomi is a matter that was a Congressional Referral to the United States Court of Federal Claims of issues relating to Private Relief Bill S. 2188. Congressional Referrals are matters referred to a court by Congress for the purpose of making findings of fact and conclusions on the amount of damages. The result of the process is simply a recommendation back to the Congress, in this case the Senate, it is not enforceable as a judgement. As a consequence, no money is payable unless and until Congress appropriates the amount recommended. On December 11, 2000 the review panel for this matter issued a report recommending settlement in the amount of \$1,830. The report has been referred back to the Senate for further action.

2. Cobell, et al. v. Babbitt, et al.

In this case, the plaintiffs have not made claims for specific dollar amounts. However, their claims are complex, and if an unfavorable decision against FMS is rendered, a material loss could be incurred.

3. Casa de Cambio Comdiv S.A. de C.V. v. U.S.A.

In this case the plaintiff alleged that FMS' violated FMS' regulations and the Fifth Amendment of the Constitution. This case was dismissed on October 27, 2000 for prejudice; however, the plaintiff has filed an appeal.

No provisions have been made in the accompanying financial statements related to these cases because management and legal counsel are unable to determine the ultimate amounts likely to be paid. However, any judgments and settlements of two thousand dollars or greater, resulting from litigation and claims against the United States Government are satisfied from funds managed by FMS on behalf of the United States Government.

Refund of Harbor Maintenance Fees (HMF) – Prior to 1995, the Federal government assessed and collected a HMF that was used for the maintenance of U.S. harbors. In October 1995, the U.S. Court of International Trade decided the assessment of a HMF on exports violates the United States Constitution. HMF refunds are available to claimants whose claims are reviewed and approved by the Court of International Trade. Refunds began being issued during fiscal year 1999 from 20X1807, a Treasury Managed non-entity account. Total refunds issued during fiscal year 2000 totaled \$37 million. Accounts payable as of September 30, 2000 include unpaid claims received and/or approved by the Court of International Trade totaling \$19 million.

On December 4, 2000, the U.S. Supreme Court determined the judgment period for refunding HMF collections relating to export activity should include all HMF receipts since July 1987. The original 1998 Supreme Court decision limited refunds to receipts collected since September 1992. Therefore, the remaining amounts collected during the judgment period and available for refund, subject to the receipt of a valid claim approved by the U.S. Court of International Trade, total \$715 million. As no claims have as yet been submitted against the fees available for refund, no accrual for these amounts has been recorded in FMS' financial statements as of September 30, 2000.

4. Pigford, et al. V. Glickman

In this Equal Credit Opportunity Act case challenge of the denial of farming loans by the Department of Agriculture, some 23,000 claimants have sought relief and about 10,600 have thus far been paid. Future payments will total \$418 million.

NOTE 11. NET POSITION

Net position as of September 30, 2000 was comprised of the following:

| | Direct | Reimbursable | Total |
|----------------------------------|----------|--------------|------------------|
| Unexpended Appropriations: | | | |
| Unobligated – Available | \$76,035 | \$44 | \$76,079 |
| Unobligated – Unavailable | 1,915 | 10,192 | 12,107 |
| Obligations/Undelivered Orders | 29,210 | 13,644 | 42,854 |
| Less: Unexpended Reimbursable | | | |
| Budget Authority | | | (23,880) |
| Total Unexpended Appropriations | | | 107,160 |
| Cumulative Results of Operations | | | 7,855 |
| Total | | | <u>\$115,015</u> |

NOTE 12. PENSION COSTS, OTHER RETIREMENT BENEFITS, AND OTHER POSTEMPLOYMENT BENEFITS

Most FMS employees hired prior to January 1, 1984 participate in the Civil Service Retirement System (CSRS). As of September 30, 2000, FMS contributed 8.51% of basic pay, while employees contributed 7.4%. For the year ended September 30, 2000, FMS contributed \$5.7 million to this plan. The estimated cost of providing a CSRS benefit was 24.2%, as determined by the Office of Personnel Management (OPM) as of September 30, 2000, which is more than the amounts contributed by FMS and its employees. Federal entities are required to report the full cost of providing pension benefits to include the cost financed by OPM. For the year ended September 30, 2000, the additional pension expense totaling \$5.3 million is included as an expense and as an imputed financing source in FMS' financial statements.

Employees hired after December 31, 1983 are automatically covered by the Federal Employee's Retirement System (FERS) and Social Security. A primary feature of FERS is that it offers a savings plan to which FMS automatically contributes 1% of basic pay and matches employee contributions up to an additional 4% of basic pay. For the year ended September 30, 2000, FMS contributed \$1.8 million to the savings plan. For most employees hired after December 31, 1983, FMS also contributes the employer's matching share for Social Security. For the year ended September 30, 2000, FMS contributed \$4.7 million for Social Security. For the FERS basic benefit, employees contribute 1.2% of their basic pay and FMS contributes 10.7% of basic pay. For the year ended September 30, 2000, FMS contributed \$4.5 million for the basic benefit. As of September 30, 2000, the cost of providing a FERS basic benefit, as determined by OPM, is

less than the amounts contributed by FMS and the employees. For the year ended September 30, 2000, the decrease in pension expense totaling \$188 thousand is included as a decrease in expense and a decrease in imputed financing source in FMS' financial statements.

FMS does not report CSRS assets, FERS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to retirement plans because the accounting and reporting of such amounts is the responsibility of OPM.

Similar to Federal retirement plans, OPM, rather than FMS, reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefits Program (FEHBP) and the Federal Employees Group Life Insurance (FEGLI) Program. FMS is required to report the full cost of providing other retirement benefits (ORB). Currently FMS does not recognize expenses or contribute funds for the cost to provide health benefits and life insurance to its retirees. As of September 30, 2000, the cost factor per employee applied to a weighted average number of employees enrolled in the FEHBP is \$2,733 dollars. For the year ended September 30, 2000, the FEHBP ORB amount totaling \$5.1 million is included as an expense and imputed financing source in FMS' financial statements. As of September 30, 2000, the cost factor for employees enrolled in the FEGLI program is .02% of their basic pay. For the year ended September 30, 2000, the FEGLI ORB amount totaling \$18.5 thousand is included as an expense and imputed financing source in FMS' financial statements.

For the year ending September 30, 2000, the imputed amount of pension and other retirement benefits paid for by OPM are as follows:

| | |
|--------------------------------------------------------|-----------------|
| Civil Service Retirement System (CSRS) | \$ 5,301 |
| Federal Employee's Retirement System (FERS) | (188) |
| Federal Employees Health Benefits Program (FEHBP) | 5,112 |
| Federal Employees Group Life Insurance (FEGLI) Program | 18 |
| Total Imputed Financing | <u>\$10,243</u> |

NOTE 13. PAYMENTS ON BEHALF OF OTHER FEDERAL AGENCIES MADE THROUGH TREASURY MANAGED ACCOUNTS

For the year ended September 30, 2000, the following payments were made on behalf of other Federal agencies through Treasury Managed accounts:

| | |
|--------------------------------------------------|--------------------|
| Credit Reform: Interest Paid on Uninvested Funds | \$4,287,528 |
| Payment to Claimants from the Judgment Fund | 1,797,797 |
| Payments to the Resolution Funding Corporation | 1,164,153 |
| Payments to the Public Broadcasting Corporation | 316,094 |
| Payments to the Legal Services Corporation | 301,784 |
| Presidential Election Campaign Fund | 210,807 |
| Payments to the District of Columbia | 136,524 |
| Other | 187,762 |
| Total | <u>\$8,402,449</u> |

Credit Reform: Interest Paid on Uninvested Funds - Direct loan and loan guarantee financing accounts receive various payments, repayments and fees, and make payments on defaults. When cash receipts exceed outlays or when an agency does not disburse all of its borrowings, these balances are held in the Treasury and earn interest. The interest earned on these balances is disbursed from this account.

Payments to Claimants from the Judgment Fund - Payments from the judgment fund represent payments for certain judicially and administratively ordered monetary awards against the United States, as well as amounts owed under compromise agreements negotiated by the United States Department of Justice in settlement of claims arising under actual or imminent litigation.

Payments to the Resolution Funding Corporation - The Resolution Funding Corporation (REFCORP) account is maintained pursuant to the Federal Home Loan Bank Act. FMS provides payments to REFCORP to cover the interest expenses of REFCORP.

Payments to the Public Broadcasting Corporation - This account is used to pay the Corporation for Public Broadcasting annually pursuant to the enacted Public Law. The payment is used to assist and facilitate the full development of public telecommunications in which programs of high quality, diversity, creativity, excellence, and innovations will be made available to public telecommunications.

Payments to the Legal Services Corporation - This account is used to pay the Legal Services Corporation through letter of credit drawdowns. The Legal Services Corporation distributes appropriated funds to local nonprofit organizations that provide free civil legal assistance, according to locally determined priorities, to people living in poverty. Congress chartered the corporation as a private, non-profit entity outside of the Federal Government.

Presidential Election Campaign Fund – This account is used to pay eligible presidential candidates or nominating conventions. The purpose of the Presidential Election Campaign Fund is to defray the qualified campaign expenses which are incurred.

Payments to the District of Columbia - Payments to the District of Columbia cover certain operations of the District of Columbia. It includes payments for a program of management reform, for the administration and operation of correctional facilities, and for construction and repair of the District's infrastructure.

Other - The line item Other includes the following payments: Refund of Moneys Erroneously Received and Covered, Payments to the States, Payments to Agencies for Interest on Uninvested Funds, Payment to the Institute of American Indian and Alaskan Native Culture and Arts Development, Payments from the U.S. Treasury Check Forgery Insurance Fund, Payments to Individuals under Private and Public Relief Laws, and Payments from Biomass Energy Development.

NOTE 14. STATEMENT OF BUDGETARY RESOURCES

As of September 30, 2000, the amount of budgetary resources obligated for undelivered orders is \$42,854 for the entity accounts and \$25,552 for the Treasury Managed accounts. FMS did not have any borrowing or contract authority, and did not have any repayment requirements, financing sources for repayments, or any other terms of borrowing authority used as of September 30, 2000. Adjustments to budgetary resources available at the beginning of fiscal year 2000 consist of the following:

| | Entity | Non-Entity | Total |
|------------------------------------------------------------|-------------------|-----------------------|-----------------------|
| Cancellation of Expired and No-Year Accounts | \$ (785) | \$ (11,009) | \$ (11,794) |
| Enacted Rescissions of Current Year Authority | - | (6,490) | (6,490) |
| Enacted Rescissions of Prior-Year Balances | (765) | - | (765) |
| Adjustments to Indefinite No-Year Authority | - | (3,437,321) | (3,437,321) |
| Authority Permanently Not Available Pursuant to Public Law | (1,718) | (1,000) | (2,718) |
| Total | <u>\$ (3,268)</u> | <u>\$ (3,455,820)</u> | <u>\$ (3,459,088)</u> |

NOTE 15. COLLECTIONS OF FEDERAL REVENUES (Custodial Activity)

FMS collects custodial revenue that is not related to its mission and distributes the full amount collected to the Treasury General Fund. For the year ended September 30, 2000, cash collections were as follows:

| | 1999 Tax Year | 2000 Tax Year | Total |
|--------------------------------------------|---------------------|---------------------|---------------------|
| Federal Reserve Earnings | \$ 7,203,642 | \$25,089,756 | \$32,293,398 |
| Interest, Penalties, Fines & Other Revenue | 304,097 | 1,932,107 | 2,236,204 |
| Total | <u>\$ 7,507,739</u> | <u>\$27,021,863</u> | <u>\$34,529,602</u> |

Required Supplementary Information

**Financial Management Service
ENTITY ACCOUNTS
INCLUDED IN FMS' FINANCIAL STATEMENTS**

The accompanying statements include the following 16 entity account symbols:

General Funds

| | |
|-----------|-----------------------------------------------------------------------|
| 2051801 | Salaries and Expenses, Financial Management Service |
| 2061801 | Salaries and Expenses, Financial Management Service |
| 2071801 | Salaries and Expenses, Financial Management Service |
| 2081801 | Salaries and Expenses, Financial Management Service |
| 2091801 | Salaries and Expenses, Financial Management Service |
| 2001801 | Salaries and Expenses, Financial Management Service |
| 206/71801 | Salaries and Expenses, Financial Management Service |
| 208/91801 | Salaries and Expenses, Financial Management Service |
| 208/01801 | Salaries and Expenses, Financial Management Service |
| 209/11801 | Salaries and Expenses, Financial Management Service |
| 200/21801 | Salaries and Expenses, Financial Management Service |
| 20X1801 | Salaries and Expenses, Financial Management Service |
| 20X1884 | Federal Reserve Bank Reimbursement Fund, Financial Management Service |

Special Funds

| | |
|-----------|----------------------------------------------------|
| 208/95445 | Debt Collection Fund, Financial Management Service |
| 209/05445 | Debt Collection Fund, Financial Management Service |
| 200/15445 | Debt Collection Fund, Financial Management Service |

**Financial Management Service
NON-ENTITY ACCOUNTS
INCLUDED IN FMS' FINANCIAL STATEMENTS**

The accompanying statements also present the assets, liabilities, and activities of certain Treasury-managed accounts administered by FMS, and are classified as non-entity. The statements include 97 non-entity account symbols as listed below.

Custodial Receipt Accounts

| | |
|---------|----------------------------------------------------------------------------------|
| 20 0650 | Deposit of Earnings, Federal Reserve System |
| 20 0861 | Charges for Expenses, Settlement of International Claims |
| 20 0863 | District of Columbia Court Fees |
| 20 1060 | Forfeitures of Unclaimed Money and Property |
| 20 1099 | Fines, Penalties, and Forfeitures, Not Otherwise Classified |
| 20 1210 | Contributions to "Conscience Fund" |
| 20 1299 | Gifts to the United States, Not Otherwise Classified |
| 20 1361 | Interest on Loans to the Railroad Rehabilitation and Improvement Fund |
| 20 1435 | General Fund Proprietary Interest, Not Otherwise Classified |
| 20 1450 | Interest Payments from States, Cash Management Improvement |
| 20 1484 | Interest Received from Tax and Loan Depositories |
| 20 3091 | Recoveries from Federal Agencies for Fire Fighting Services |
| 20 3101 | Recoveries from Federal Agencies for Settlement of Claims from Contract Disputes |
| 20 3200 | Miscellaneous General Receipts |
| 20 3220 | General Fund Proprietary Receipts, Not Otherwise Classified, All Other |
| 20 5445 | Debt Collection Fund |

Deposit Funds

Foreign Claims

| | |
|-----------|-------------------------------------------------------|
| 20X6007 | Holocaust Survivor's Claims Settlement Fund, Germany |
| 2015X6078 | War Claims Fund, Foreign Claims Settlement Commission |
| 20X6104 | Albanian Claims Fund, Treasury |
| 20X6312 | Iranian Claims Settlement Fund, Treasury |
| 20X6314 | German Democratic Republic Settlement Fund |
| 20X6315 | Vietnam Claims Fund, FMS |

Debt Management

| | |
|---------|----------------------------|
| 20X6092 | Debt Management Operations |
|---------|----------------------------|

Schedule 2, continued

Other

| | |
|-------------|---------------------------------------------------------------------------------------------|
| 20X6023 | Limited Payability Pre-Effective Date Cancellations Credit |
| 20X6024 | Limited Payability Post-Effective Date Cancellations Credit |
| 20X6034 | Return of Proceeds of Undeliverable Treasurer's Checks |
| 20X6042 | Proceeds and Payment of Unpaid Treasury Checks Issued on Behalf of the District of Columbia |
| 20X6045 | Proceeds and Payment of Certain Unpaid Checks |
| 20X6048 | Proceeds of Withheld Foreign Checks |
| 20X6071 | Return of Miscellaneous and Excess Collections |
| 20X6133 | Payment of Unclaimed Moneys |
| 20X6158 | MOD Rapier Working Capital and Termination Account |
| 20X6311 | Kennedy Center Revenue Bond Sinking Fund |
| 20X6501.018 | Small Escrow Amounts, FMS |
| 20X6999 | Accounts Payable, Check Issue Underdrafts, Treasury |

All Others

Payments to Federal Program Agencies, States, and Other

| | |
|---------|------------------------------------------------------------------------------------------------------------------------|
| 20X0151 | Public Broadcasting Fund, Corporation for Public Broadcasting |
| 2000151 | Public Broadcasting Fund, Corporation for Public Broadcasting |
| 20X0501 | Payment to the Legal Services Corporation, Legal Services Corporation, Treasury |
| 2090501 | Payment to the Legal Services Corporation, Legal Services Corporation, Treasury |
| 2000501 | Payment to the Legal Services Corporation, Legal Services Corporation, Treasury |
| 2051850 | Payments to the Farm Credit System Financial Assistance Corporation, Liquidating Account, Financial Management Service |
| 2061850 | Payments to the Farm Credit System Financial Assistance Corporation, Liquidating Account, Financial Management Service |
| 2071850 | Payments to the Farm Credit System Financial Assistance Corporation, Liquidating Account, Financial Management Service |
| 2081850 | Payments to the Farm Credit System Financial Assistance Corporation, Liquidating Account, Financial Management Service |
| 2091850 | Payments to the Farm Credit System Financial Assistance Corporation, Liquidating Account, Financial Management Service |
| 20X1851 | Payment to the Resolution Funding Corporation, Treasury |
| 20X1860 | Interest on Uninvested Funds, Treasury (indefinite) |
| 20X1877 | Federal Interest Liabilities to the States, Treasury, Financial Management Service |
| 20X1880 | Credit Reform: Interest Paid on Uninvested Funds, Treasury (indefinite) |

Schedule 2, continued

20X5081 Presidential Election Campaign Fund
9502900 Payment to the Institute, Institute of American Indian and Alaskan Native Culture and Arts Development

District of Columbia

20X0155 Federal Payment for Water and Sewage Service, Treasury
2091704 Federal Payment to the District of Columbia Corrections Trustee Operations
209/11707 Federal Contribution to the Operations of the Nation's Capital
2001719 Federal Payment for Metropolitan Police Department
2091721 Federal Payment to the Georgetown Waterfront Park Fund
20X1721 Federal Payment to the Georgetown Waterfront Park Fund
20X1722 Federal Payment to Historical Society for City Museum
2091724 Federal Payment for Waterfront Improvement
2001728 Federal Payment for Children's National Medical Center
20X1729 Federal Payment for the District of Columbia National Capital Revitalization Corporation
2091734 Federal Payment to the District of Columbia Offender Supervision, Defense, and Court Services Agency
20X1736 Federal Payment for Resident Tuition Support
200/11744 Federal Payment for Incentives for Adoption of Children
200/11745 Federal Payment to the Citizen Complaint Review Board
2001746 Federal Payment to the Department of Human Services
20X1747 Federal Payment to the General Services Administration

Claims, Judgments, and Relief Acts

20X1706 Relief of Individuals and Others by Private and Public Laws
20X1740 Judgments, Court of Claims (indefinite)
20X1741 Judgments, United States Courts (indefinite)
20X1742 Claims for Damages (indefinite)
20X1743 Claims for Contract Disputes (indefinite)
20X1748 Claims for Fire Fighting Services (indefinite)

Trust Fund

20X8902 Esther Cattell Schmitt Gift Fund, Treasury

Suspense Accounts

20X6770 Suspense, Office of the Secretary of the Treasury
20X6830 Suspense, Net Interest Payments To States, Treasury, FMS
20X6875.018 Suspense, Deposit Fund Accounts, FMS
20X6884.004 Courtesy Disbursements (Suspense), SSI Benefit Payments
20X6884.024 Courtesy Disbursements (Suspense), Office of Personnel Management
20X6884.036 Courtesy Disbursements (Suspense), Veterans Administration
20X6884.060 Courtesy Disbursements (Suspense), Railroad Retirement Board

20X6884.075 Courtesy Disbursements (Suspense), SSA Benefit Payments
 20F3875.018 Suspense, Budget Clearing Account, FMS
 20F3878.018 Deposits in Transit Differences (Suspense), FMS
 20F3879.018 Undistributed and Letter of Credit Differences (Suspense), FMS
 20F3880.018 Unavailable Check Cancellations and Overpayments (Suspense)
 20F3887.001 Debt Collection Collections
 20F3887.002 Debt Collection Fees
 20F3887.003 Treasury Offset Program (TOP) Collections
 20F3887.004 Treasury Offset Program (TOP) Fees
 20F3891 Foreign Currency Payments

Other

20X0114 Biomass Energy Development, Treasury
 8920X0114 Biomass Energy Development, Transfer to Energy
 20X1807 Refund of Monies Erroneously Received and Covered (indefinite)
 20X4109 United States Treasury Check Forgery Insurance Fund
 20X6183 Claims Administrative Account
 20X6720 Small Differences Account for Deposit and Check Adjustments, FMS

Financial Management Service
DESCRIPTION OF PERMANENT, INDEFINITE APPROPRIATIONS
INCLUDED IN FMS' NON-ENTITY ACCOUNTS

Claims and Judgments

20X1740, Judgments, Court of Claims - The law established a permanent indefinite appropriation to be administered by the Department of the Treasury for payment of final judgments, awards, and compromise settlements made by the Court of Claims, including Indian claims.

20X1741, Judgments, United States Courts - The law established a permanent indefinite appropriation to be administered by the Department of the Treasury for payment of final judgment awards and compromise settlements made by the United States Courts.

20X1742, Claims for Damages - The law established a permanent indefinite appropriation to be administered by the Department of the Treasury for payment of damage claims.

20X1743, Claims for Contract Disputes - The law established a permanent indefinite appropriation to be administered by the Department of the Treasury for payment to contractors. FMS is responsible for requesting reimbursements from the agency involved in the settlement.

20X1748, Claims for Fire Fighting Services - The law established a permanent indefinite appropriation to be administered by the Department of the Treasury to pay fire services that engage in the fighting of fires on property which is under the jurisdiction of the United States. The fire services may file a claim for the amount of direct expenses and direct losses incurred as a result of the fire. All payments from this account are subject to reimbursement by the agency under whose jurisdiction the fire occurred.

Payments to Federal Program Agencies and Others

20X1851, Payment to the Resolution Funding Corporation - The Resolution Funding Corporation account is maintained pursuant to the Federal Home Loan Bank Act (12 U.S.C. et seq.), as amended by Section 511 of the Financial Institutions Reforms, Recovery, and Enforcement Act of 1989 (Public Law 101-73) applicable regulations, 12 C.F.R. Part 1510. FMS makes payments to the Corporation to cover the interest expenses of the Corporation.

20X1860, Interest on Uninvested Funds - Separate Public Laws were created and determine the manner in which interest is accrued and payable by Treasury to the Immigration and Naturalization Service, National Gallery of Art, Library of Congress, and Alaskan Native Escrow Fund.

Schedule 3, continued

20X1880, Credit Reform: Interest Paid on Uninvested Funds - Direct loan and loan guarantee financing accounts receive various payments, repayments, fees and make payments on defaults. When cash receipts exceed outlays or when an agency does not disburse all of its borrowings, these balances are held in the Treasury and earn interest. The interest earned on these balances is disbursed from this fund account. Agencies send their requests to Treasury at year-end for processing payment. The requests by the agencies include a statement from the approving official that they certify that the funds that they are requesting are in accordance with the Credit Reform Act of 1990.

Other

20X1807, Refund of Moneys Erroneously Received and Covered - This account is used for expenditures that are made for collections or other receipts erroneously deposited into Treasury. These collections represent receipts that were not properly chargeable to any other appropriation.

Financial Management Service
Required Supplementary Information
STATEMENT OF BUDGETARY RESOURCES – BY FUND
For the year ended September 30, 2000

(In thousands)

| | Salary & Expense Funds | TMA Revolving Funds | TMA Trust Funds | TMA Appropriated Accounts | Total |
|----------------------------------------------------------------------------|------------------------------|---------------------------|-----------------------|---------------------------------|--------------|
| Budgetary Resources: | | | | | |
| Budget authority | \$345,873 | \$10,000 | \$0 | \$11,518,288 | \$11,874,161 |
| Unobligated balances-beginning of period | 95,252 | 4,273 | 333 | 1,103,870 | 1,203,728 |
| Spending authority from offsetting collections | 83,225 | 24,894 | 71 | 43,740 | 151,930 |
| Reclassification of Receivables to a Non-Budgetary Account | - | - | - | (780,721) | (780,721) |
| Recoveries for prior year obligations | 31,998 | - | - | - | 31,998 |
| Adjustments | (3,268) | - | - | (3,455,820) | (3,459,088) |
| Total budgetary resources | \$553,080 | \$39,167 | \$404 | \$8,429,357 | \$9,022,008 |
| Status of Budgetary Resources: | | | | | |
| Obligations incurred | \$464,894 | \$28,922 | \$26 | \$8,399,554 | \$8,893,396 |
| Unobligated balances-available | 76,079 | 10,245 | 378 | 26,800 | 113,502 |
| Unobligated balances-not Available | 12,107 | - | - | 3,003 | 15,110 |
| Total status of budgetary resources | \$553,080 | \$39,167 | \$404 | \$8,429,357 | \$9,022,008 |
| Outlays: | | | | | |
| Obligations incurred | \$464,894 | \$28,922 | \$26 | \$8,399,554 | \$8,893,396 |
| Less: spending authority from offsetting collections and adjustments | (115,223) | (24,894) | (71) | (43,740) | (183,928) |
| Reclassification of Receivables to a Non-Budgetary Account | - | - | - | 780,721 | 780,721 |
| Obligated balance, net- beginning of period | 54,428 | - | 22 | (665,115) | (610,665) |
| Obligated balance, net-end of period | (91,717) | (539) | (10) | (127,274) | (219,540) |
| Total outlays | \$312,382 | \$3,489 | \$(33) | \$8,344,146 | \$8,659,984 |

Financial Management Service
Required Supplementary Information
Intragovernmental Accounts - Assets
As of September 30, 2009
(in thousands)

| Partner Code | Partner Agency | Entity Fund Balance with Treasury | Entity Accounts Receivable | Entity Allowance for Uncollectible Accounts | Entity Advances & Prepayments | Non-Entity Fund Balance with Treasury | Non-Entity Investments and Receivables | Non-Entity Accounts Receivable | Non-Entity Allowance for Uncollectible Accounts | Accounts Receivable, Net | Total |
|--------------|----------------------------------------------------|-----------------------------------|----------------------------|---------------------------------------------|-------------------------------|---------------------------------------|----------------------------------------|--------------------------------|-------------------------------------------------|--------------------------|-----------|
| 0300 | Library of Congress | - | - | - | - | - | - | (9) | - | (9) | 1 |
| 0400 | Government Printing Office | - | 2 | - | - | - | - | (33) | - | (33) | (7) |
| 0500 | General Accounting Office | - | 1 | - | - | - | - | 2,371 | - | 2,371 | (32) |
| 0900 | Legislative Branch | - | 3 | - | - | - | - | 150 | - | 150 | 2,374 |
| 1000 | The Judiciary | - | 2 | - | - | - | - | - | - | - | 152 |
| 1100 | Executive Office of the President | - | 2 | - | - | - | - | - | - | - | 2 |
| 1200 | Department of Agriculture | - | 18 | (8) | - | - | - | 173,274 | (154,828) | 18,446 | 18,456 |
| 1300 | Department of Commerce | - | 7 | - | - | - | - | 1,988 | (1,988) | - | 7 |
| 1400 | Department of the Interior | - | 23 | - | - | - | - | 85,535 | (84,390) | 84,135 | 84,158 |
| 1500 | Department of Justice | - | 52 | - | - | - | - | 1,416 | (883) | 603 | 655 |
| 1600 | Department of Labor | - | 11 | - | - | - | - | - | - | - | 11 |
| 1700 | Department of the Navy | - | 6 | - | - | - | - | 143,649 | (76,322) | 67,327 | 67,333 |
| 1800 | United States Postal Service | - | 2 | - | - | - | - | - | - | - | 2 |
| 1900 | Department of State | - | 4 | - | - | - | - | 548 | - | 548 | 552 |
| 2000 | Department of the Treasury | 179,902 | - | - | - | 327,809 | - | (103) | - | (103) | 507,711 |
| 2001 | Departmental Offices | - | 210 | (209) | 2,943 | - | - | - | - | - | 2,841 |
| 2003 | Federal Law Enforcement Training Center | - | 1 | - | - | - | - | - | - | - | 1 |
| 2004 | Bureau of the Public Debt/OTM | - | 1 | - | - | - | 12,919 | - | - | - | 12,919 |
| 2005 | Bureau of the Public Debt/OTM | - | 3 | - | - | - | - | - | - | - | 3 |
| 2006 | U.S. Customs Service | - | 7 | - | - | - | - | 11 | (11) | - | 7 |
| 2009 | Internal Revenue Service | - | 7 | - | - | - | - | - | - | - | 7 |
| 2010 | Alcohol, Tobacco and Firearms | - | 1 | - | - | - | - | - | - | - | 1 |
| 2013 | Bureau of Engraving and Printing | - | 1 | - | - | - | - | (54) | - | (54) | (54) |
| 2014 | U.S. Secret Service | - | 2 | - | - | - | - | - | - | - | 2 |
| 2016 | U.S. Mint | - | 2 | - | - | - | - | - | - | - | 2 |
| 2017 | Office of the Comptroller of the Currency | - | 1 | - | - | - | - | - | - | - | 1 |
| 2019 | Office of Thrift Supervision | - | 1 | - | - | - | - | - | - | - | 1 |
| 2045 | Treasury Franchise Fund | - | 509 | (10) | - | - | - | (3) | - | (3) | (2) |
| 2100 | Department of the Army | - | 1 | - | - | - | - | - | - | - | 1 |
| 2400 | Office of Personnel Management | - | 8 | - | - | - | - | 147,370 | (118,761) | 28,609 | 28,610 |
| 2500 | National Credit Union Administration | - | 1 | - | - | - | - | 86,360 | (69,743) | 16,617 | 16,625 |
| 2700 | Federal Communications Commission | - | 1 | - | - | - | - | - | - | - | 1 |
| 2800 | Social Security Administration | - | 13 | - | - | - | - | 22 | (22) | - | 13 |
| 3100 | U.S. Nuclear Regulatory Commission | - | 1 | - | - | - | - | - | - | - | 1 |
| 3300 | Smithsonian Institution | - | 1 | - | - | - | - | - | - | - | 1 |
| 3500 | Department of Veterans Affairs | - | 13 | - | - | - | - | (198) | - | (198) | (197) |
| 4300 | Equal Employment Opportunity Commission | - | 1 | - | - | - | - | 40,642 | (21,142) | 19,500 | 19,513 |
| 4700 | General Services Administration | - | 6 | - | - | - | - | 132,146 | (43,888) | 88,258 | 88,264 |
| 5000 | National Science Foundation | - | 2 | - | - | - | - | - | - | - | 2 |
| 5100 | Securities and Exchange Commission | - | 1 | - | - | - | - | 173 | - | 173 | 174 |
| 5600 | Federal Deposit Insurance Corporation | - | 1 | - | - | - | - | - | - | - | 1 |
| 5700 | Central Intelligence Agency | - | 1 | - | - | - | - | - | - | - | 1 |
| 5800 | Department of the Air Force | - | 3 | - | - | - | - | 485,007 | (16,240) | 468,767 | 468,761 |
| 5900 | National Foundation on the Arts and the Humanities | - | 1 | - | - | - | - | - | - | - | 1 |
| 6000 | Railroad Retirement Board | - | 1 | - | - | - | - | - | - | - | 1 |
| 6800 | Environmental Protection Agency | - | 5 | - | - | - | - | - | - | - | 5 |
| 6900 | Department of Transportation | - | 10 | - | - | - | - | 11,749 | (10,694) | 1,145 | 1,155 |
| 7100 | Agency for International Development | - | 10 | - | - | - | - | 550 | (550) | - | 10 |
| 7300 | Small Business Administration | - | 2 | - | - | - | - | - | - | - | 2 |
| 7400 | American Indian Museum and National History Museum | - | 1 | - | - | - | - | 7,446 | (8,840) | 16,386 | 16,391 |
| 7500 | Department of Health and Human Services | - | 15 | - | - | - | - | 1,183 | (1,183) | - | 1 |
| 7600 | National Park Service | - | - | - | - | - | - | - | - | - | - |
| 7800 | Farm Credit | - | 1 | - | - | - | - | 3,884 | (598) | 3,286 | 3,294 |
| 8000 | National Aeronautics and Space Administration | - | 8 | - | - | - | - | - | - | - | 8 |
| 8100 | Export-Import Bank of the United States | - | 1 | - | - | - | - | - | - | - | 1 |
| 8400 | Armed Forces Retirement Home | - | 7 | (6) | - | - | - | 681 | (681) | 590 | 592 |
| 8600 | Department of Housing and Urban Development | - | 2 | - | - | - | - | - | - | - | 2 |
| 8800 | National Archives and Records Administration | - | - | - | - | - | - | - | - | - | - |
| 8900 | Department of Energy | - | 29 | (21) | - | - | - | 27,651 | (1,338) | 26,313 | 26,321 |
| 9100 | Department of Education | - | 2 | - | - | - | - | - | - | - | 2 |
| 9100 | Federal Mediation and Conciliation Service | - | 1 | - | - | - | - | - | - | - | 1 |
| 9100 | Independent Agencies | - | 4 | - | - | - | - | - | - | - | 4 |
| 9600 | U.S. Army Corps of Engineers | - | 6 | - | - | - | - | 36,918 | (36,733) | 6,225 | 6,231 |
| 9700 | Office of the Secretary of Defense - Agencies | - | 1,255 | - | - | - | - | 103,020 | (9,107) | 93,913 | 93,918 |
| 0000 | Other | - | - | - | - | - | - | 5,990 | (9,231) | (3,241) | (3,241) |
| | Total | 179,902 | 2,287 | (214) | 2,943 | 327,809 | 12,919 | 1,504,434 | (563,009) | 941,425 | 1,467,033 |

Financial Management Service
 Required Supplementary Information
 Intragovernmental Accounts - Liabilities
 As of September 30, 2000
 (In thousands)

| Partner Code | Partner Agency | Non-Entity Due to the General Fund and Others | Non-Entity Liability for Deposit Funds and Suspense Accounts | Non-Entity Accounts Payable | Entity Due to the General Fund and Others | Entity Other Accrued Liabilities | Entity Accrued Payroll Benefits | Entity Accrued Workers' Compensation | Total |
|--------------|-------------------------------------------------|-----------------------------------------------|--------------------------------------------------------------|-----------------------------|-------------------------------------------|----------------------------------|---------------------------------|--------------------------------------|--------------|
| 0400 | Government Printing Office | | | | | | | | \$ |
| 1200 | Department of Agriculture | | | | | | | | |
| 1400 | Department of the Interior | | | | | | | | |
| 1500 | Department of Justice | | | 21,898 | | 5 | | | 21,903 |
| 1600 | Department of Labor | | | | | | | 882 | 882 |
| 1700 | Department of the Navy | | | | | | | | |
| 1800 | United States Postal Service | | | | | | | | |
| 2000 | Department of the Treasury | | | | | | | | |
| 2001 | Departmental Offices | 1,506,447 | | | | | | | 1,506,447 |
| 2009 | Internal Revenue Service | | | | | | | | |
| 2020 | Financial Management Service | | | | | | | | |
| 2045 | Treasury Franchise Fund | | | | | | | | |
| 2049 | Internal Revenue Service | | | | | | | | |
| 2058 | Financial Management Service/Franchise Accounts | | | | | | | | |
| 2100 | Department of the Army | | | | | 11 | | | 11 |
| 2400 | Office of Personnel Management | | | | | 1 | | | 1 |
| 2800 | Social Security Administration | | | | | 7 | 1,043 | | 1,050 |
| 3600 | Department of Veterans Affairs | | | | | | 149 | | 149 |
| 4700 | General Services Administration | | | | | | | | |
| 5700 | Department of the Air Force | | | | | 2 | | | 2 |
| 5800 | Federal Emergency Management Agency | | | | | | | | |
| 6000 | Railroad Retirement Board | | | | | | | | |
| 6400 | Tennessee Valley Authority | | | 74 | | | | | 74 |
| 7200 | Agency for International Development | | | | | | | | |
| 7300 | Small Business Administration | | | | | | | | |
| 7500 | Department of Health and Human Services | | | | | | | | |
| 8600 | Department of Housing and Urban Development | | | | | | | | |
| 8800 | National Archives and Records Administration | | | | | | | | |
| 9100 | Department of Education | | | | | 2 | | | 2 |
| 9700 | Office of the Secretary of Defense - Agencies | | | | | | | | |
| 9900 | General Fund of the Treasury | | | | | 1 | | | 1 |
| 0000 | Other | | 308 | 18,542 | | | | | 18,850 |
| | Total | \$ 1,506,447 | \$ 308 | \$ 40,514 | \$ 1 | \$ 29 | \$ 1,192 | \$ 882 | \$ 1,549,373 |

Financial Management Service
Required Supplementary Information
Payments From Treasury Managed Accounts
For the year ended September 30, 2000
(In thousands)

| Budget Functional Classification | | Account | | | Intra- governmental (See Schedule 6a) | |
|-----------------------------------------|--------------------------------|----------------|---------------------------------------------------------------------------------------|---------------------|------------------------------------------------------|--------------|
| Code | Name | Symbol | Account Title | Governmental | | Total |
| 503 | Research and Gen Ed Aids | 20X0151 | Public Broadcasting Fund, Corporation for Public Broadcasting | \$ 17,234 | \$ - | \$ 17,234 |
| 503 | Research and Gen Ed Aids | 2000151 | Public Broadcasting Fund, Corporation for Public Broadcasting | 298,860 | - | 298,860 |
| | | | | 316,094 | - | 316,094 |
| 702 | Veterans Ed, Training & Rehab. | 20X0501 | Payment to the Legal Services Corporation, Legal Services Corporation, Treasury | 1,298 | - | 1,298 |
| 702 | Veterans Ed, Training & Rehab. | 2090501 | Payment to the Legal Services Corporation, Legal Services Corporation, Treasury | 24,733 | - | 24,733 |
| 702 | Veterans Ed, Training & Rehab. | 2000501 | Payment to the Legal Services Corporation, Legal Services Corporation, Treasury | 275,753 | - | 275,753 |
| | | | | 301,784 | - | 301,784 |
| 373 | Commerce and Housing Credit | 20X1851 | Payment to the Resolution Funding Corporation, Treasury | 1,164,153 | - | 1,164,153 |
| 808 | Other General Government | 20X1860 | Interest on Uninvested Funds, Treasury (indefinite) | 308 | 5,657 | 5,965 |
| 808 | Other General Government | 20X1877 | Federal Interest Liabilities to the States, Treasury, Financial Management Service | 9,750 | - | 9,750 |
| 808 | Other General Government | 20X1880 | Credit Reform: Interest Paid on Uninvested Funds, Treasury (indefinite) | - | 4,287,528 | 4,287,528 |
| 808 | Other Gen Government | 20X5081 | Presidential Election Campaign Fund | 210,807 | - | 210,807 |
| 808 | Other Gen Government | 20X1706 | Relief of Individuals and Others by Private and Public Laws | 19,500 | - | 19,500 |

Financial Management Service
Required Supplementary Information
Payments From Treasury Managed Accounts
For the year ended September 30, 2000
(In thousands)

| Budget Functional Classification | | Account | | | Intra- governmental | |
|----------------------------------|-------------------------------|-----------|-------------------------------------------------------------------------------------------------------------|-----------------|------------------------|-----------------|
| Code | Name | Symbol | Account Title | Governmental | (See Schedule 6a) | Total |
| 808 | Other Gen Government | 20X1740 | Judgments, Court of Claims (indefinite) | 11,233 | - | 11,233 |
| 808 | Other Gen Government | 20X1741 | Judgments, United States Courts (indefinite) | 1,544,048 | - | 1,544,048 |
| 808 | Other Gen Government | 20X1742 | Claims for Damages (indefinite) | 6,732 | - | 6,732 |
| 808 | Other Gen Government | 20X1743 | Claims for Contract Disputes (indefinite) | 235,782 | - | 235,782 |
| 808 | Other Gen Government | 20X1748 | Claims for Fire Fighting Services (indefinite) | - | - | - |
| 808 | Other Gen Government | 20X1807 | Refund of Moneys Erroneously Received and Covered (indefinite) | 66,135 | - | 66,135 |
| | | | | <hr/> 2,104,295 | <hr/> 4,293,185 | <hr/> 6,397,480 |
| 806 | Gen Purpose Fiscal Assistance | 20X0155 | Federal Payment for Water and Sewage Service | - | - | - |
| 806 | Gen Purpose Fiscal Assistance | 2091704 | Federal Payment to the District of Columbia Corrections Trustee Operations | 32,303 | - | 32,303 |
| 806 | Gen Purpose Fiscal Assistance | 209/11707 | Federal Contribution to the Operations of the Nation's Capital | 43,464 | - | 43,464 |
| 806 | Gen Purpose Fiscal Assistance | 2001719 | Federal Payment for Metropolitan Police Department | 5,481 | - | 5,481 |
| 806 | Gen Purpose Fiscal Assistance | 20X1721 | Federal Payment to the Georgetown Waterfront Park Fund | 890 | - | 890 |
| 806 | Gen Purpose Fiscal Assistance | 20X1722 | Federal Payment to Historical Society for City Museum | 2,000 | - | 2,000 |
| 806 | Gen Purpose Fiscal Assistance | 2001728 | Federal Payment for Children's National Medical Center | 2,491 | - | 2,491 |
| 806 | Gen Purpose Fiscal Assistance | 20X1729 | Federal Payment for the DC National Capital Revitalization Corporation | 25,000 | - | 25,000 |
| 806 | Gen Purpose Fiscal Assistance | 2091734 | Federal Payment to the District of Columbia Offender Supervision, Defender, and Court Services Agency | 2,233 | - | 2,233 |

Financial Management Service
Required Supplementary Information
Payments From Treasury Managed Accounts
For the year ended September 30, 2000
(In thousands)

| Budget Functional Classification | | Account | | | Intra- | |
|-----------------------------------------|-------------------------------|----------------|---------------------------------------------------------------------------------------------|---------------------|--------------------------|---------------------|
| Code | Name | Symbol | Account Title | Governmental | governmental | Total |
| | | | | | (See Schedule 6a) | |
| 806 | Gen Purpose Fiscal Assistance | 20X1736 | Federal Payment for Resident Tuition Support | 16,935 | - | 16,935 |
| 806 | Gen Purpose Fiscal Assistance | 20011744 | Federal Payment for Incentives for Adoption of Children | 4,981 | - | 4,981 |
| 806 | Gen Purpose Fiscal Assistance | 20011745 | Federal Payment to the Citizen Complaint Review Board | 498 | - | 498 |
| 806 | Gen Purpose Fiscal Assistance | 2001746 | Federal Payment to the Department of Human Services | 249 | - | 249 |
| | | | | <u>136,525</u> | <u>-</u> | <u>136,525</u> |
| 803 | Central Fiscal Operations | 20X4109 | United States Treasury Check Forgery Insurance Fund | 35,141 | - | 35,141 |
| 271 | Energy Supply | 20X0114 | Biomass Energy Development | - | 49,000 | 49,000 |
| 271 | Energy Supply | 8920X0114 | Biomass Energy Development, Transfer to Energy | - | 155 | 155 |
| | | | | <u>-</u> | <u>49,155</u> | <u>49,155</u> |
| 502 | Higher Education | 9592900 | Payment to the Institute of American Indian and Alaskan Native Culture and Arts Development | 2,117 | - | 2,117 |
| | | Total | | <u>\$ 4,060,109</u> | <u>\$ 4,342,340</u> | <u>\$ 8,402,449</u> |

Financial Management Service
Required Supplementary Information
Treasury Managed Accounts
For the period ended September 30, 2000
(In thousands)

Schedule 6a

| Partner Code | Partner Agency | Intragovernmental Costs |
|-----------------|-----------------------------------------------|----------------------------|
| 0300 | Library of Congress | 605 |
| 0400 | Government Printing Office | 0 |
| 0500 | General Accounting Office | 0 |
| 1000 | The Judiciary | 0 |
| 1100 | Executive Office of the President | 39,313 |
| 1200 | Department of Agriculture | 674,497 |
| 1300 | Department of Commerce | 2,203 |
| 1400 | Department of the Interior | 2,521 |
| 1500 | Department of Justice | 5,050 |
| 1600 | Department of Labor | 0 |
| 1700 | Department of the Navy | 0 |
| 1900 | Department of State | 24 |
| 2003 | Federal Law Enforcement Training Center | 0 |
| 2006 | U.S. Customs Service | 0 |
| 2010 | Alcohol, Tobacco and Firearms | 0 |
| 2013 | Bureau of Engraving and Printing | 0 |
| 2014 | U.S. Secret Service | 0 |
| 2049 | Internal Revenue Service | 0 |
| 2085 | Community Development Financial Institutions | 486 |
| 2100 | Department of the Army | 26 |
| 2400 | Office of Personnel Management | 0 |
| 2600 | Federal Retirement Thrift Investment Board | 0 |
| 2700 | Federal Communications Commission | 24,691 |
| 2800 | Social Security Administration | 0 |
| 2900 | Federal Trade Commission | 0 |
| 3000 | Interstate Commerce Commission | 0 |
| 3300 | Smithsonian Institution | 0 |
| 3600 | Department of Veterans Affairs | 390,754 |
| 4500 | U.S. Equal Employment Opportunity Commission | 0 |
| 4700 | General Services Administration | 473 |
| 5000 | Securities and Exchange Commission | 0 |
| 5700 | Department of the Air Force | 0 |
| 5800 | Federal Emergency Management Agency | 2,225 |
| 6400 | Tennessee Valley Authority | 155 |
| 6500 | Federal Maritime Commission | 0 |
| 6800 | Environmental Protection Agency | 448 |
| 6900 | Department of Transportation | 33,306 |
| 7100 | Overseas Private Investment Corporation | 25,282 |
| 7200 | Agency for International Development | 43,878 |
| 7300 | Small Business Administration | 338,351 |
| 7500 | Department of Health and Human Services | 20,032 |
| 7600 | Independent Agencies | 0 |
| 8000 | National Aeronautics and Space Administration | 0 |
| 8300 | Export-Import Bank of the United States | 496,592 |
| 8600 | Department of Housing and Urban Development | 418,207 |
| 8800 | National Archives and Records Administration | 0 |
| 8900 | Department of Energy | 49,000 |
| 9100 | Department of Education | 1,773,788 |
| 9600 | U.S. Army Corps of Engineers | 0 |
| 9700 | Office of the Secretary of Defense - Agencies | 433 |
| 0000 | Other | 0 |
| Total | | 4,342,340 |

Consolidating Financial Statements

Financial Management Service
CONSOLIDATING BALANCE SHEET
As of September 30, 2000
(In thousands)

| | Salary & Expense Funds | Treasury Managed Accounts | Total |
|--------------------------------------------------------------------|------------------------------|---------------------------------|---------------------|
| ASSETS: | | | |
| Entity Assets: | | | |
| Intragovernmental: | | | |
| Fund Balances with U.S. Treasury | \$ 179,902 | \$ - | \$ 179,902 |
| Accounts Receivable, Net | 2,033 | - | 2,033 |
| Advances and Prepayments | 2,943 | - | 2,943 |
| With the Public: | | | |
| Accounts Receivable | 22 | - | 22 |
| Advances and Prepayments | 16 | - | 16 |
| Inventories of Materials Held for Sale | 1,840 | - | 1,840 |
| Operating Materials and Supplies | 364 | - | 364 |
| Property and Equipment, Net | 23,316 | - | 23,316 |
| Total Entity Assets | 210,436 | - | 210,436 |
| Non-Entity Assets: | | | |
| Intragovernmental: | | | |
| Fund Balances with U.S. Treasury | - | 327,809 | 327,809 |
| Accounts Receivable, Net | - | 941,425 | 941,425 |
| Interest Receivable from Investments - Deposit and Trust Funds | - | 149 | 149 |
| Investment in Government Securities - Deposit and Trust Funds, Net | - | 12,770 | 12,770 |
| With the Public: | | | |
| Receivable on Deposit Earnings, Federal Reserve System | - | 552,224 | 552,224 |
| Accounts Receivable, Net | 1 | 6,562 | 6,563 |
| Total Non-Entity Assets | 1 | 1,840,939 | 1,840,940 |
| TOTAL ASSETS | \$ 210,437 | \$ 1,840,939 | \$ 2,051,376 |
| LIABILITIES | | | |
| Liabilities Covered by Budgetary Resources: | | | |
| Intragovernmental: | | | |
| Due to the General Fund and Others | \$ 1 | \$ 1,506,447 | \$ 1,506,448 |
| Liability for Deposit Funds and Suspense Accounts | - | 308 | 308 |
| Accounts Payable | - | 40,514 | 40,514 |
| Other Accrued Liabilities | 29 | - | 29 |
| Accrued Payroll Benefits | 1,192 | - | 1,192 |
| With the Public: | | | |
| Liability for Deposit Funds - Foreign and Domestic | - | 148,425 | 148,425 |
| Accounts Payable | 7,563 | 145,245 | 152,808 |
| Accrued Payroll | 6,627 | - | 6,627 |
| Obligations Under Capital Lease | 263 | - | 263 |
| Other Accrued Liabilities | 63,457 | - | 63,457 |
| Total Liabilities Covered by Budgetary Resources | 79,132 | 1,840,939 | 1,920,071 |
| Liabilities not Covered by Budgetary Resources | | | |
| Intragovernmental: | | | |
| Accrued Workers' Compensation | 882 | - | 882 |
| With the Public: | | | |
| Accrued Actuarial Liability for Workers' Compensation | 5,262 | - | 5,262 |
| Accrued Annual Leave | 10,146 | - | 10,146 |
| Total Liabilities not Covered by Budgetary Resources | 16,290 | - | 16,290 |
| Total Liabilities | 95,422 | 1,840,939 | 1,936,361 |
| COMMITMENTS AND CONTINGENCIES | | | |
| NET POSITION | | | |
| Unexpended Appropriations | 107,160 | - | 107,160 |
| Cumulative Results of Operations | 7,855 | - | 7,855 |
| Total Net Position | 115,015 | - | 115,015 |
| TOTAL LIABILITIES AND NET POSITION | \$ 210,437 | \$ 1,840,939 | \$ 2,051,376 |

Financial Management Service
CONSOLIDATING STATEMENT OF NET COST
For the Year Ended September 30, 2000
(In thousands)

| | Salaries & Expense | Treasury Managed Accounts | TOTAL |
|----------------------------------------------------------------------------------------------------|-----------------------|---------------------------------|------------------|
| ENTITY COSTS: | | | |
| Payments: | | | |
| Intragovernmental | \$ 70,368 | \$ - | \$ 70,368 |
| With the Public | 152,533 | - | 152,533 |
| Total Program costs | 222,901 | - | 222,901 |
| Less Earned Revenues | (42,808) | - | (42,808) |
| Net Cost for Payments | 180,093 | - | 180,093 |
| Collections: | | | |
| Intragovernmental | 35,903 | - | 35,903 |
| With the Public | 77,824 | - | 77,824 |
| Total Program costs | 113,727 | - | 113,727 |
| Less Earned Revenues | (21,841) | - | (21,841) |
| Net Cost for Collections | 91,886 | - | 91,886 |
| Governmentwide Accounting and Reporting: | | | |
| Intragovernmental | 27,286 | - | 27,286 |
| With the Public | 59,146 | - | 59,146 |
| Total Program costs | 86,432 | - | 86,432 |
| Less Earned Revenues | (16,599) | - | (16,599) |
| Net Cost for Governmentwide Accounting and Reporting | 69,833 | - | 69,833 |
| Debt Management Services: | | | |
| Intragovernmental | 10,053 | - | 10,053 |
| With the Public | 21,791 | - | 21,791 |
| Total Program costs | 31,844 | - | 31,844 |
| Less Earned Revenues | (6,115) | - | (6,115) |
| Net Cost for Debt Management Services | 25,729 | - | 25,729 |
| Net Cost for Entity Operations | 367,541 | - | 367,541 |
| Payments on Behalf of Other Federal Agencies made through Treasury Managed Accounts | - | \$ 8,402,449 | 8,402,449 |
| NET COST OF OPERATIONS | \$ 367,541 | \$ 8,402,449 | \$ 8,769,990 |

Financial Management Service

CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION

As of September 30, 2000

(In thousands)

| | Salary & Expense Funds | Treasury Managed Accounts | Total |
|----------------------------------------------------------|------------------------------|---------------------------------|--------------------------|
| NET COST OF OPERATIONS | <u>\$ 367,541</u> | <u>\$ 8,402,449</u> | <u>\$ 8,769,990</u> |
| Financing Sources (other than exchange revenues): | | | |
| Appropriations Used | 334,886 | 8,407,485 | 8,742,371 |
| Imputed Financing Sources | 10,243 | - | 10,243 |
| Other | 15,417 | (5,036) | 10,381 |
| Total Financing Sources | <u>360,546</u> | <u>8,402,449</u> | <u>8,762,995</u> |
| Net Change in Cumulative Results of Operations | <u>(6,995)</u> | <u>-</u> | <u>(6,995)</u> |
| Decrease in Unexpended Appropriations | <u>(8,664)</u> | <u>-</u> | <u>(8,664)</u> |
| Change in Net Position | <u>(15,659)</u> | <u>-</u> | <u>(15,659)</u> |
| Net Position-Beginning of Period | <u>130,674</u> | <u>-</u> | <u>130,674</u> |
| Net Position-End of Period | <u><u>\$ 115,015</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 115,015</u></u> |

Financial Management Service
CONSOLIDATING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2000
(In thousands)

| | Salary & Expense Funds | Treasury Managed Accounts | Total |
|---------------------------------------------------------------------------|------------------------------|---------------------------------|---------------------|
| Budgetary Resources: | | | |
| Budget authority | \$ 345,873 | \$ 11,528,288 | \$ 11,874,161 |
| Unobligated balances-beginning of period | 95,252 | 1,108,476 | 1,203,728 |
| Spending authority from offsetting collections | 83,225 | 68,705 | 151,930 |
| Recoveries of prior year obligations | 31,998 | - | 31,998 |
| Reclassification of Receivables from a Budgetary to Non-Budgetary Account | - | (780,721) | (780,721) |
| Adjustments | (3,268) | (3,455,820) | (3,459,088) |
| Total budgetary resources | <u>\$ 553,080</u> | <u>\$ 8,468,928</u> | <u>\$ 9,022,008</u> |
| Status of Budgetary Resources: | | | |
| Obligations incurred | \$ 464,894 | \$ 8,428,502 | \$ 8,893,396 |
| Unobligated balances-available | 76,079 | 37,423 | 113,502 |
| Unobligated balances-not available | 12,107 | 3,003 | 15,110 |
| Total status of budgetary resources | <u>\$ 553,080</u> | <u>\$ 8,468,928</u> | <u>\$ 9,022,008</u> |
| Outlays: | | | |
| Obligations incurred | \$ 464,894 | \$ 8,428,502 | \$ 8,893,396 |
| Less: spending authority from offsetting collections and adjustments | (115,223) | (68,705) | (183,928) |
| Reclassification of Receivables from a Budgetary to Non-Budgetary Account | - | 780,721 | 780,721 |
| Obligated balance, net-beginning of period | 54,428 | (665,093) | (610,665) |
| Obligated balance, net-end of period | (91,717) | (127,823) | (219,540) |
| Total outlays | <u>\$ 312,382</u> | <u>\$ 8,347,602</u> | <u>\$ 8,659,984</u> |

Financial Management Service
CONSOLIDATING STATEMENT OF FINANCING
For the Year Ended September 30, 2000
(In thousands)

| | Salary & Expense Funds | Treasury Managed Accounts | Total |
|--------------------------------------------------------------------------------------------|------------------------------|---------------------------------|---------------------|
| Obligations and Nonbudgetary Resources | | | |
| Obligations incurred | \$ 464,894 | \$ 8,428,502 | \$ 8,893,396 |
| Less: Spending authority from offsetting collections and adjustments | (115,223) | (68,705) | (183,928) |
| Reclassification of Receivables from a Budgetary to Non-Budgetary Account | | 780,721 | 780,721 |
| Imputed Financing Sources | 10,243 | - | 10,243 |
| Treasury Managed Accounts activity | - | 49,000 | 49,000 |
| Total obligations as adjusted, and non budgetary resources | <u>359,914</u> | <u>9,189,518</u> | <u>9,549,432</u> |
| Resources That Do Not Fund Net Cost of Operations | | | |
| Change in amount of goods, services, and benefits ordered but not yet received or provided | 1,882 | (2,806) | (924) |
| Costs capitalized on the balance sheet | (9,788) | - | (9,788) |
| Financing sources that fund costs of prior periods | (39) | (52,926) | (52,965) |
| Treasury Managed Accounts activity | - | (755,473) | (755,473) |
| Total resources that do not fund net cost of operations | <u>(7,945)</u> | <u>(811,205)</u> | <u>(819,150)</u> |
| Costs That Do Not Require Resources | | | |
| Depreciation and amortization | 8,343 | - | 8,343 |
| Bad debts related to uncollectible non-credit reform receivables | 254 | (55,490) | (55,236) |
| Revaluation of assets and liabilities | 885 | - | 885 |
| Loss on disposition of assets | 203 | - | 203 |
| Treasury Managed Accounts activity | - | 79,626 | 79,626 |
| Other | 4,960 | - | 4,960 |
| Total costs that do not require resources | <u>14,645</u> | <u>24,136</u> | <u>38,781</u> |
| Change in Financing Sources Yet to be Provided | <u>927</u> | <u>-</u> | <u>927</u> |
| Net Cost of Operations | <u>\$ 367,541</u> | <u>\$ 8,402,449</u> | <u>\$ 8,769,990</u> |

Financial Management Service
CONSOLIDATING STATEMENT OF CUSTODIAL ACTIVITY
As of September 30, 2000
(In thousands)

| | Salary & Expense Funds | Treasury Managed Accounts | Total |
|--------------------------------------------------|------------------------------|---------------------------------|-------------------|
| Revenue Activity: | | | |
| Sources of Collections: | | | |
| Deposit of Earnings, Federal Reserve System | \$ - | \$ 32,293,398 | \$ 32,293,398 |
| Interest Revenue | - | 1,830,880 | 1,830,880 |
| Other Revenue | 24 | 250,072 | 250,096 |
| Penalties and Fines Revenue | - | 155,228 | 155,228 |
| Total Cash Collections | <u>24</u> | <u>34,529,578</u> | <u>34,529,602</u> |
| Accrual Adjustment | 1 | 248,519 | 248,520 |
| Total Custodial Revenue | <u>25</u> | <u>34,778,097</u> | <u>34,778,122</u> |
| Disposition of Collections: | | | |
| Amounts Transferred to the Treasury General Fund | 24 | 34,529,578 | 34,529,602 |
| Accrual Adjustment | 1 | 248,519 | 248,520 |
| Total Disposition of Revenue | <u>25</u> | <u>34,778,097</u> | <u>34,778,122</u> |
| Net Custodial Activity | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

